

**November 2, 2018**

**Supplement To Official Statement Dated October 25, 2018**  
**Relating to**  
**\$19,825,000**  
**TRUSTEES OF THE TULSA AIRPORTS IMPROVEMENT TRUST**  
**GENERAL AIRPORT REVENUE BONDS,**  
**SERIES 2018A**

On November 1, 2018, Mark VanLoh, President and Chief Executive Officer of the Authority, notified the Airport Trustees of his resignation, effective November 30, 2018, to pursue other opportunities within the aviation industry. It is expected that the Airport Trustees will begin the process of identifying a successor at their next meeting.

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**Please affix this Supplement to the Official Statement that you have in your possession and forward this Supplement to any party to whom you delivered a copy of the Official Statement.**

OFFICIAL STATEMENT DATED OCTOBER 25, 2018

NEW ISSUES-Book Entry Only

**Ratings:** **S&P - Insured Rating:** Anticipated  
"AA"/Stable Outlook  
**Moody's - Insured Rating:** Anticipated  
"A2"/Stable Outlook  
**S&P - Underlying Rating:** "A-"/Positive  
Outlook  
**Moody's:** "Baa1"/Stable Outlook  
**See Ratings herein**

*In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Airport Trustees, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2018A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any 2018A Bond for any period during which a 2018A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a "substantial user" of the facilities financed with the proceeds of the 2018A Bonds or a "related person", and (ii) interest on the 2018A Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals under the Code, and such interest is treated as a preference item in calculating the alternative minimum tax imposed on corporations for taxable years beginning prior to January 1, 2018. No federal alternative minimum tax applies to corporations for taxable years beginning after December 31, 2017. In addition, in the opinion of Bond Counsel to the Airport Trustees, under existing statutes, interest on any of the 2018A Bonds is exempt from Oklahoma income taxation. See "TAX MATTERS".*

**\$19,825,000**

**TRUSTEES OF THE TULSA AIRPORTS IMPROVEMENT TRUST  
GENERAL AIRPORT REVENUE BONDS,  
SERIES 2018A**

**Dated:** Date of Issuance

**Due:** June 1, as shown on the Inside Cover

The Trustees of the Tulsa Airports Improvement Trust (the "Airport Trustees") have authorized the issuance of \$19,825,000 of their General Airport Revenue Bonds, Series 2018A (the "2018A Bonds"), secured under an Amended and Restated Bond Indenture dated as of November 1, 2009, as supplemented and amended by a Nineteenth Supplemental Bond Indenture (the "Nineteenth Supplemental Bond Indenture") dated as of December 1, 2009 (as supplemented and amended by the Nineteenth Supplemental Bond Indenture, the "Original Bond Indenture"), as thereafter supplemented from time to time each such Supplemental Indenture by and between the Airport Trustees and BOKF, National Association (the "Bond Trustee"). The Original Bond Indenture will be further supplemented by a Twenty-Eighth Supplemental Bond Indenture, dated as of November 1, 2018 (the "Twenty-Eighth Supplemental Bond Indenture"), by and between the Airport Trustees and the Bond Trustee. The Original Bond Indenture, as previously supplemented and as further supplemented by the Twenty-Eighth Supplemental Bond Indenture, is hereinafter referred to as the "Indenture".

The 2018A Bonds are issuable as fully registered bonds in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository for the 2018A Bonds. The 2018A Bonds will be available to purchasers only under the book-entry system maintained by DTC through brokers and dealers which are, or which act through, participants in DTC in denominations of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their ownership interest in the 2018A Bonds purchased. See "BOOK-ENTRY ONLY SYSTEM." Payments of principal of, premium, if any, and interest on the 2018A Bonds will be made to purchasers of the 2018A Bonds by DTC through its participants. The 2018A Bonds shall bear interest at the rates and mature on the dates as set forth on the inside cover hereof.

Interest on the 2018A Bonds will be payable on June 1, 2019, and semiannually on each June 1 and December 1 thereafter and shall mature and bear interest at the rates per annum as provided on the inside cover.

The 2018A Bonds are subject to redemption prior to maturity as set forth herein under "DESCRIPTION OF THE 2018A BONDS."

The proceeds of the 2018A Bonds will be applied to the design, renovation, equipping and rehabilitation of the terminal building located at Tulsa International Airport situated in Tulsa County, State of Oklahoma; included in such terminal building rehabilitation projects are utility work, boiler replacement, roof replacement, relocation of airline ticket counters, asbestos abatement activities and related capital improvements. A portion of the proceeds of the 2018A Bonds will also be applied to (i) pay capitalized interest on the 2018A Bonds, (ii) fund the 2018A Bond Reserve Requirement, and (iii) pay costs of issuance of the 2018A Bonds. The 2018A Bonds will be payable from certain Net Revenues (as defined herein) derived from the operation of the Airports (as defined herein) which are deposited in certain funds and accounts established under the Indenture. See "Security for the 2018A Bonds" herein.

**THE 2018A BONDS ARE NOT (I) AN INDEBTEDNESS OF THE STATE OF OKLAHOMA OR OF THE CITY OF TULSA OR OF ANY MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE OF OKLAHOMA, (II) A GENERAL OBLIGATION OF THE AIRPORT TRUSTEES OR A CHARGE UPON ANY REVENUES OF THE AIRPORT TRUSTEES NOT SPECIFICALLY PLEDGED UNDER THE INDENTURE, OR (III) A PERSONAL OBLIGATION OF THE AIRPORT TRUSTEES. THE REAL PROPERTY AND IMPROVEMENTS COMPRISING THE AIRPORTS HAVE NOT BEEN PLEDGED OR MORTGAGED TO SECURE PAYMENT OF THE 2018A BONDS. THE AIRPORT TRUSTEES HAVE NO TAXING POWER.**

The 2018A Bonds will be issued subject to the approval of legality by Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. Certain legal matters in connection with the 2018A Bonds will be passed upon for the Airport Trustees by its special counsel, Conner & Winters, LLP, Tulsa, Oklahoma, and for the Underwriters by Hilborne & Weidman, a Professional Corporation, Tulsa, Oklahoma. It is expected that the 2018A Bonds in definitive form will be ready for delivery to DTC in New York, New York, on or about November 8, 2018.

The scheduled payment of principal of and interest on the 2018A Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the 2018A Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** See "BOND INSURANCE".



**Stifel**

**BOK Financial Securities, Inc.**

**\$19,825,000**  
**TRUSTEES OF THE TULSA AIRPORTS IMPROVEMENT TRUST**  
**General Airport Revenue Bonds,**  
**Series 2018A**

| <u>Maturity</u><br><u>(June 1)</u> | <u>Principal</u><br><u>Amount</u> | <u>Interest</u><br><u>Rate</u> | <u>Yield</u> | Base Number: 899647<br><u>CUSIP*</u> |
|------------------------------------|-----------------------------------|--------------------------------|--------------|--------------------------------------|
| 2022                               | \$ 385,000                        | 5.00%                          | 2.60%        | RU7                                  |
| 2023                               | 405,000                           | 5.00%                          | 2.74%        | RV5                                  |
| 2024                               | 425,000                           | 4.00%                          | 2.87%        | RW3                                  |
| 2025                               | 440,000                           | 4.00%                          | 3.01%        | RX1                                  |
| 2026                               | 455,000                           | 4.00%                          | 3.16%        | RY9                                  |
| 2027                               | 475,000                           | 4.00%                          | 3.29%        | RZ6                                  |
| 2028                               | 500,000                           | 5.00%                          | 3.39%        | SA0                                  |
| 2029                               | 520,000                           | 5.00%                          | 3.49%**      | SB8                                  |
| 2036                               | 720,000                           | 4.00%                          | 4.11%        | SJ1                                  |
| 2038                               | 250,000                           | 5.00%                          | 3.90%**      | SG7                                  |

\$1,120,000 5.00% Term Series 2018A Bonds due June 1, 2031 – Yield 3.62%\*\* (CUSIP 899647 SD4)

\$1,240,000 5.00% Term Series 2018A Bonds due June 1, 2033 – Yield 3.72%\*\* (CUSIP 899647 SF9)

\$1,355,000 4.00% Term Series 2018A Bonds due June 1, 2035 – Yield 4.06% (CUSIP 899647 SH5)

\$1,280,000 4.00% Term Series 2018A Bonds due June 1, 2038 – Yield 4.16% (CUSIP 899647 SK8)

\$4,485,000 5.00% Term Series 2018A Bonds due June 1, 2043 – Yield 4.00%\*\* (CUSIP 899647 SL6)

\$5,770,000 5.25% Term Series 2018A Bonds due June 1, 2048 – Yield 4.00%\*\* (CUSIP 899647 SM4)

\* CUSIP numbers have been assigned by an organization not affiliated with the Airport Trustees and are included solely for the convenience of the bondholders. The Airport Trustees shall not be responsible for the selection or use of CUSIP numbers.

\*\* Priced at the stated yield to the June 1, 2028 optional redemption date at a price of 100%.

## REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations, other than as contained in this Official Statement, and if given or made, any such other information or representation must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sales of the 2018A Bonds, by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been furnished by the Airport Trustees and other sources which are believed to be reliable. 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, their responsibilities 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 and this Official Statement is not to be construed as the promise or guarantee of the Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinion set forth herein after the date of this Official Statement.

This Official Statement contains statements that are “forward-looking” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate”, “intend”, “expect” and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof.

Assured Guaranty Municipal Corp. (“AGM”) makes no representation regarding the 2018A Bonds or the advisability of investing in the 2018A Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM, supplied by AGM and presented under the heading “Bond Insurance” and “Appendix H - Specimen Municipal Bond Insurance Policy”.

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. THE COVER PAGE IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE 2018A BONDS AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE 2018A BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE 2018A BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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**TRUSTEES OF THE TULSA AIRPORTS IMPROVEMENT TRUST**

**and**

**MEMBERS OF THE TULSA AIRPORT AUTHORITY**

Jeff Stava ..... Chair  
Joe Robson ..... Vice Chair  
Kent Harrell ..... Trustee and Member  
Mary E. Smith Crofts..... Trustee and Member  
G.T. Bynum, Mayor ..... Trustee and Member

**ADMINISTRATION OF THE TULSA AIRPORTS IMPROVEMENT TRUST**

Mark VanLoh, A.A.E. .... President & CEO  
Fabio Spino ..... Chief Financial Officer  
Alexis Higgins, A.A.E.....Deputy Director, Marketing and Air Service Development  
Chuck Hannum .....Deputy Director of Operations  
Frank Relja, P.E. .... Director, Engineering and Facilities Maintenance  
Jeff Shaw ..... Manager of Risk and Legal Services

**CONSULTANTS**

RSM US LLP .....Independent Auditors  
Conner & Winters, LLP .....Special Counsel to the Airport Trustees  
Hawkins Delafield & Wood LLP .....Bond Counsel  
Hilltop Securities, Inc. ....Financial Advisor  
LeighFisher..... Airport Consultant

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## OFFICIAL STATEMENT

\$19,825,000

### TRUSTEES OF THE TULSA AIRPORTS IMPROVEMENT TRUST GENERAL AIRPORT REVENUE BONDS SERIES 2018A

#### INTRODUCTION

This Official Statement of the Trustees of the Tulsa Airports Improvement Trust (the “Airport Trustees” or the “Trust”) including the cover page and the Appendices hereto is provided to furnish information in connection with the sale of the Airport Trustees’ General Airport Revenue Bonds, Series 2018A to be issued in the principal amount of \$19,825,000 (the “2018A Bonds”). The 2018A Bonds will be secured under the Amended and Restated Bond Indenture, dated as of November 1, 2009, as supplemented and amended by a Nineteenth Supplemental Bond Indenture dated as of December 1, 2009 (collectively the “Original Bond Indenture”), as previously supplemented from time to time by Supplemental Indentures each by and between the Airport Trustees and BOKF, National Association (the “Bond Trustee”). The Original Bond Indenture will be further supplemented by a Twenty-Eighth Supplemental Bond Indenture, dated as of November 1, 2018 (the “Twenty-Eighth Supplemental Bond Indenture”), by and between the Airport Trustees and the Bond Trustee (the Original Bond Indenture, as previously supplemented and as further supplemented by the Twenty-Eighth Supplemental Bond Indenture, hereinafter referred to as the “Indenture”). The 2018A Bonds, together with all other Outstanding Bonds and any Additional Bonds issued under the Indenture, are herein collectively referred to as the “Bonds”.

The Tulsa Airports Improvement Trust (the “Trust”) was created by a Trust Indenture, dated as of March 1, 1967 (the “Trust Indenture), for the purpose, among other things, of financing improvements at the Tulsa International Airport (“TIA” or the “Airport”) and subsequently, Richard Lloyd Jones, Jr. Airport (“R.L. Jones Airport” and, collectively with TIA, the “Airports”) on behalf of the City of Tulsa, Oklahoma (the “City”). The Trust Indenture provides that the Airport Trustees consist of the members of the Tulsa Airport Authority (the “Authority”), an agency of the City established under the City Charter to operate and maintain the airports of the City (including and consisting of the Airports). Under a lease dated as of October 1, 1978, as amended on November 25, 1987, June 30, 1989, June 1, 2000, and December 8, 2005, and as Amended and Restated on December 23, 2013, effective January 1, 2014 (as amended and restated, the “Lease” or the “Restated Lease Agreement”), the City has leased the Airports and the income derived therefrom to the Airport Trustees, and the Airport Trustees have agreed to operate and maintain the Airports on behalf of the City pursuant to the provisions of the Indenture and the Lease.

The 2018A Bonds are special limited obligations of the Airport Trustees, payable solely from and secured solely by the Trust Estate (as defined herein). **The 2018A Bonds are not (i) an indebtedness of the State of Oklahoma or the City of Tulsa or of any municipality or political subdivision of the State of Oklahoma, (ii) a general obligation of the Airport Trustees or a charge upon any revenues of the Airport Trustees not specifically pledged under the Indenture, or (iii) a personal obligation of the Airport Trustees. The real property and improvements comprising the Airports have not been pledged or mortgaged to secure payment of the 2018A Bonds or any other Bonds. The Airport Trustees have no taxing power.** See “AUTHORITY AND SECURITY FOR THE 2018A BONDS” for a description of the security for the Bonds, including the 2018A Bonds.

The scheduled payment of principal of and interest on the 2018A Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the 2018A Bonds by ASSURED GUARANTY MUNICIPAL CORP.

The cover page of this Official Statement and this Introduction contain certain information for general reference only. Investors are advised to read this entire Official Statement to obtain information essential to the making of an informed investment decision. This Official Statement contains descriptions of the Airport Trustees, the Airports, a summary of the provisions of the 2018A Bonds, the security for the Bonds, and the sources of Gross Revenues of the Airport Trustees. Appendices to this Official Statement include the proposed form of the opinion of Bond Counsel, the audited financial statements of the Airport, and summaries of certain provisions of the Airline-Airport Use and Lease Agreements, the Lease, and the Indenture, the Report of LeighFisher as Airport Consultant, and the form of Continuing Disclosure Agreement. All references to agreements and documents are qualified in

their entirety by the definitive forms of such agreement and documents. All references to the Indenture and to the 2018A Bonds are qualified by the definitive forms of the Indenture and 2018A Bonds. Any statement or information involving matters of opinion or estimates are represented as opinions or estimates made in good faith, but no assurance can be given that facts will materialize as so opined or estimated.

Except as otherwise indicated, capitalized terms used in this Official Statement are as defined in the Indenture.

### **PURPOSE OF THE 2018A BONDS**

Proceeds of the 2018A Bonds will be used for the design, renovation, equipping and rehabilitation of the terminal building located at TIA situated in Tulsa County, State of Oklahoma; included in such terminal building rehabilitation projects are utility work, boiler replacement, roof replacement, relocation of airline ticket counters, asbestos abatement activities and related capital improvements, as well as to pay capitalized interest, costs of issuance and fund the Bond Reserve Requirement for the 2018A Bonds.

### **SOURCES AND USES OF FUNDS**

The following table summarizes the estimated sources and uses of funds related to the 2018A Bonds.

|  |                         |
|--|-------------------------|
| Sources:                                       |                         |
| Principal Amount of 2018A Bonds                | \$ 19,825,000.00        |
| Net Original Issue Premium                     | \$ 1,446,975.05         |
| Equity Contribution                            | \$ 39,623.00            |
| Total  | <u>\$ 21,311,598.05</u> |
| Uses:  |                         |
| Deposit to 2018A Construction Account          | \$ 18,000,000.00        |
| Deposit to 2018A Construction Interest Account | \$ 2,093,094.04         |
| Deposit to Bond Reserve Fund                   | \$ 620,221.53           |
| Cost of Issuance <sup>(1)</sup>                | \$ 598,282.48           |
| Total  | <u>\$ 21,311,598.05</u> |

<sup>(1)</sup> Includes all costs of issuance, including an underwriting discount, fees for legal counsel, insurance premium fees and other expenses, the payment of which is contingent upon the issuance of the 2018A Bonds.

## **AUTHORITY AND SECURITY FOR THE 2018A BONDS**

### **Authority for the 2018A Bonds**

The 2018A Bonds are being issued pursuant to the Indenture by the Airport Trustees. The Tulsa Airports Improvement Trust, a public trust of the State of Oklahoma (the "State"), was created pursuant to a Trust Indenture, dated as of March 1, 1967 (the "Trust Indenture"), under the authority of and pursuant to Title 60, Oklahoma Statutes 2011, Sections 176 et seq., as amended, and other laws. Under the relevant statutes, the Trust is an agency of the State and the regularly constituted authority of the City (as beneficiary of the Trust Indenture) for the performance of the functions for which the Trust was created.

THE 2018A BONDS ARE NOT (I) AN INDEBTEDNESS OF THE STATE OF OKLAHOMA OR OF THE CITY OF TULSA OR OF ANY MUNICIPALITY OR POLITICAL SUBDIVISION OF THE STATE OF OKLAHOMA; (II) A GENERAL OBLIGATION OF THE AIRPORT TRUSTEES OR A CHARGE UPON ANY REVENUES OR ASSETS OF THE AIRPORT TRUSTEES NOT SPECIFICALLY PLEDGED UNDER THE INDENTURE; OR (III) A PERSONAL OBLIGATION OF THE AIRPORT TRUSTEES. THE REAL PROPERTY AND IMPROVEMENTS COMPRISING THE AIRPORTS HAVE NOT BEEN PLEDGED OR MORTGAGED TO SECURE PAYMENT ON THE 2018A BONDS. THE AIRPORT TRUSTEES HAVE NO TAXING POWER.

### **Security for the 2018A Bonds**

Bonds issued by the Trust are special limited obligations of the Airport Trustees which are secured solely by and payable from a pledge of and lien on the Trust Estate. The Indenture defines the Trust Estate as the moneys, assets, agreements, contract rights, property interests and other rights and interests of the Airport Trustees granted, bargained, sold, alienated, demised, released, conveyed, transferred, assigned, confirmed, pledged with and set out unto the Bond Trustee in trust by the Airport Trustees in the preambles and recitals of the Indenture after the payment of Operating Expenses (as defined in the Indenture). Upon the issuance of the 2018A Bonds, there will be \$177,710,000 Outstanding principal amount of Bonds subject to the Indenture. The Indenture prohibits the issuance of obligations with a superior lien on Net Revenues than the Bonds; however, Subordinate Obligations are permitted to be issued. Any Additional Bonds or Refunding Bonds will have a lien on parity to the lien of the Bonds. Certain revenues (such as PFCs) are not available to pay certain long-term debt of the Airport Trustees, including but not limited to the 2018A Bonds. See "FUNDS NOT GROSS REVENUES".

Summarized below are certain portions of the Indenture, and certain other information, which bear on the security for the 2018A Bonds.

#### *Rate Covenant*

The Indenture provides that the Airport Trustees will impose, prescribe, adjust, enforce and collect rates, rentals, fees and charges for the use and services of the Airports at levels sufficient to generate Gross Revenues, plus Dedicated Revenues, if any, in an amount at least equal to the total of (a) an amount equal to 125% of the Debt Service due during the Fiscal Year; (b) an amount equal to estimated and budgeted Operating Expenses during the Fiscal Year; and (c) an amount equal to the aggregate of deficiencies in any fund or account (or so much as is required to be repaid during the Fiscal Year) held under the Indenture (the "Rate Covenant"). The Airport Trustees' Fiscal Year commences July 1 of each calendar year and ends on June 30 of the following calendar year. In the event a certificate filed with the Bond Trustee shows that the Airport Trustees have failed to comply with the Rate Covenant, the Airport Trustees are obligated within 60 days of such filing to engage an Airport Consultant (the "Airport Consultant") to make recommendations as to the revision of the schedule of rentals, rates, fees and other charges, Operating Expenses or the method of operation of the Airports in order to satisfy, as quickly as possible, the aforesaid rate covenant. The Airport Consultant shall file copies of its recommendations with the Airport Trustees and the Bond Trustee and, so long as the Airport Trustees are in substantial compliance in a timely fashion with such recommendations in all material respects, the Airport Trustees will not be deemed to be in default in the performance of their duties under the Indenture and, consequently, there is not an Event of Default under the Indenture unless the Airport Trustees fail to meet the Rate Covenant in the second full Fiscal Year after engaging the Airport Consultant.

### *Outstanding Bonds; Additional Bonds*

The Indenture authorizes the issuance of one or more additional series of Bonds on a parity with the Outstanding Bonds (any such bonds hereafter issued are herein referred to as “Additional Bonds”). In order to issue Additional Bonds under the Indenture, the following conditions must be met: (A) the Airport Trustees shall have found and determined that no default exists in the payment of the principal of or interest and premium (if any) on any Bond; all mandatory redemptions (if any) of Bonds required to have been made from the Principal Account in the Bond Fund shall have been made; and all payments required by law or agreement to have been made to the time of such finding or determination to the City by reason of the issuance of bonds, notes or other evidences of indebtedness of the City for the Airport upon request of the Airport Trustees shall have been made; and (B) the Accountant or Airport Consultant shall have certified that for any 12 consecutive months out of the 18 months immediately preceding the month in which the Additional Bonds proposed to be issued are delivered and paid for, the Net Revenues for such period on the accrual basis of accounting, plus Dedicated Revenues for such period, equal at least 125% of the Debt Service on all Bonds Outstanding as of the end of such 12-month period plus Debt Service on such Additional Bonds to be issued; or the Net Revenues, as estimated by the Accountant or the Airport Consultant, to be derived either (i) in each of the five Fiscal Years following the Fiscal Year in which such Additional Bonds are issued; or (ii) in each of the three Fiscal Years following the Fiscal Year in which the Airport Trustees estimate a substantial portion of the project to be financed from the proceeds of such Additional Bonds will be placed in continuous operation or commercial service, whichever is later, plus any Dedicated Revenues for such period will equal not less than 125% of the Debt Service in each such Fiscal Year on all Bonds to be Outstanding upon the issuance of such Additional Bonds and including such Additional Bonds. For purposes of such calculation, Net Revenues derived prior to such 12 month period that are on deposit in the Airport Improvement Fund on the first day of the following Fiscal Year may be deemed to be and treated as Net Revenues derived during such 12 month period.

### *Reserve Fund*

As additional security for the Bonds, the Indenture establishes a Bond Reserve Fund (and accounts therein) for the payment of principal of and interest and premium, if any, on the Bonds for which such accounts of the Bond Reserve Fund are available. The Bond Reserve Fund is established for all of the Bonds, including the 2018A Bonds (with the exception of the 2016A Bonds, which are not secured by the Bond Reserve Fund). There is required to be deposited in the Bond Reserve Fund an amount which shall be equal to the Bond Reserve Requirement as defined below unless there is deposited to the credit of the Bond Reserve Fund a surety bond or an insurance policy satisfying the provisions of the Indenture. The Bond Reserve Requirement is the least of (i) maximum annual debt service on all Bonds Outstanding on the date of issuance of the 2018A Bonds, including the 2018A Bonds, (ii) 125% of the average annual Debt Service on all Bonds Outstanding on the date of issuance of the 2018A Bonds, including the 2018A Bonds, and (iii) 10% of the stated principal amount of all Bonds Outstanding on the date of issuance of the 2018A Bonds, including the 2018A Bonds. The Bond Reserve Requirement is expected to be fully funded with cash and investments at closing from (a) proceeds of the 2018A Bonds, and (b) cash and investments currently held in the Bond Reserve Fund. The Bond Reserve Requirement for each series of the Bonds for which the Bond Reserve Fund is available is established by the Supplemental Indenture providing for issuance of such series. The Bond Reserve Fund shall be valued at least annually. Any deficiency caused by a decrease in the value of investments or surety policies held in the Bond Reserve Fund shall be restored in six (6) equal consecutive monthly installments and any deficiency caused by required withdrawals from the Bond Reserve Fund shall be restored in twelve (12) equal consecutive monthly installments.

The Indenture also establishes an Operating Reserve Fund which is required to be maintained in an amount equal to one-fourth of the estimated and budgeted Operating Expenses of the Airport for the then current Fiscal Year and an Airport Improvement Fund. See “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Application of Gross Revenues; Special Funds” included in Appendix E to this Official Statement.

## GROSS REVENUES

“Gross Revenues” under the Indenture are defined to mean and include all income, revenues and moneys derived from the Airports by the Airport Trustees under the Lease, or the furnishing and supplying of the services, facilities and commodities thereof, and, without limiting the generality of the foregoing, shall include (i) all income, revenues, and moneys derived from the rates, rentals, fees and charges (including customer facility charges) fixed, imposed and collected or accrued by the Airport Trustees pursuant to the Indenture or otherwise derived from or arising through the operation and management of the Airports by the Airport Trustees under the Lease, or derived from the rental of all or part of the Airports or from the sale or rental of any commodities or goods in connection with the Airports; (ii) to the extent provided in the Indenture, earnings on the investment of the proceeds of Bonds; (iii) to the extent provided in the Indenture, earnings on the investment of moneys held under the Indenture and the proceeds of the sale of any such investments; and (iv) to the extent provided in the Indenture, income derived by the Airport Trustees under the Lease, or otherwise derived by the Airport Trustees and deemed Gross Revenues pursuant to the Indenture. The Indenture excludes from the definition of “Gross Revenues” (a) moneys received as proceeds from the sale of Bonds or any other bonds, notes or evidences of indebtedness or as grants or gifts, the use of which is limited by the grantor or donor, except to the extent that any such moneys shall be received as payments for the use of the Airports; (b) any arbitrage earnings (including any funds on deposit in the Rebate Fund) which are required to be paid to the U.S. Government; (c) the proceeds of any Support Facility, (d) passenger facility charges and state and/or Federal grants that have not been designated as Dedicated Revenues, and (e) any non-cash revenue items.

Gross Revenues are derived from, among other things, the following:

*Airline-Airport Use and Lease Agreements.* Effective July 1, 2018, the Airport Trustees and American Airlines, Delta Air Lines, Southwest Airlines and United Airlines (herein referred as the “Signatory Airlines”) have entered into separate Airline-Airport Use and Lease Agreements on substantially identical terms (herein sometimes referred to as “Use and Lease Agreements”) which terminate on June 30, 2019. The Signatory Airlines account for 96% of the Fiscal Year 2017 enplanements. The Airport Trustees have also executed Cargo Carrier Use and Lease Agreements (herein referred to as the “Signatory Cargo Carrier Use and Lease Agreements”) with cargo carriers FedEx and UPS (herein referred as the “Signatory Cargo Airlines”) which terminate on June 30, 2019. The Signatory Cargo Carrier Use and Lease Agreements grant the same airfield rights and privileges to the Signatory Cargo Airlines that have signed such agreements as the Signatory Airlines under the Use and Lease Agreements provided that the Signatory Cargo Airlines have a facility lease either directly or indirectly through a third party, that demonstrates a commitment to continue serving TIA through June 30, 2019. While the Bonds are secured in part by a pledge of the revenues derived under the Use and Lease Agreements and the Signatory Cargo Carrier Use and Lease Agreements, the Bonds are not a debt of the Signatory Airlines or the Signatory Cargo Airlines.

The Use and Lease Agreements establish procedures for the annual review and adjustment of Signatory Airline rentals, fees, and charges. The Use and Lease Agreements also provide a procedure for a midyear adjustment to the Signatory Airline rentals, fees and charges if the Airport Trustees determine that the then current estimates of the amounts required to be collected through the Signatory Airline rentals fees and charges will be 10% lower or higher than the original annual budget.

Some airlines and cargo carriers are not party to a Use and Lease Agreement, opting to enter into short-term (annual) “Non-Signatory” agreements. Due to the short-term nature of these agreements, terminal rental rates and airfield landing fee rates are historically 50% higher than rates charged to the Signatory Airlines. The current rates are 25% higher than the rates charged to the Signatory Airlines.

See “AIRLINE-AIRPORT USE AND LEASE AGREEMENTS” for additional information on the Use and Lease Agreements and Signatory Cargo Carrier Use and Lease Agreements. See “BONDHOLDERS’ RISKS” herein for a discussion of certain risks relating to the airline industry generally.

**Terminal Rental Rates.** Terminal Rental Rates are calculated under a commercial compensatory methodology. A commercial compensatory methodology provides for an allocation of the terminal building’s total operating expense over the square feet of leasable space, including ticket counter areas, hold room, office, operations, baggage make-up, baggage claim and TIA offices.

Under the Use and Lease Agreements, gates are leased on a preferential use basis, whereby a Signatory Airline is assigned priority use of a particular aircraft boarding gate or gates, but the Airport has the right to assign such gate position or positions to other carriers if no common use gates are available and/or if certain gate utilization rates are not met. In Fiscal Year 2017, revenue earned through Terminal Rental Rates was approximately \$6.6 million.

**Landing Fees.** Landing fees are calculated according to a cost center residual methodology which essentially provides for a breakeven financial result in the Airfield cost center. Any deficit or surplus in the financial operations of R.L. Jones, Jr. Airport is also included in the landing fee calculation. In Fiscal Year 2017, revenue earned through total landing fees paid was approximately \$8 million.

**Extraordinary Coverage Protection.** The Use and Lease Agreements include a provision for Extraordinary Coverage Protection which allows the adjustment of rates upon 30-days' prior written notice to the Signatory Airlines if it is estimated that the Airport Trustees will not meet the Rate Covenant requirements for any Fiscal Year during the term of the Use and Lease Agreements.

See "AIRLINE-AIRPORT USE AND LEASE AGREEMENTS" herein and "SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE-AIRPORT USE AND LEASE AGREEMENTS" included in Appendix C to this Official Statement for additional details.

*Fuel Flowage Fee.* Effective January 1, 1984, a fuel flowage fee was implemented, pursuant to a City of Tulsa Fuel Flowage Fee Ordinance and Regulation which provides a 10¢ per gallon charge for all fuel consumed, dispensed, or sold at the Airports with the exception of fuel delivered to be sold or dispensed to, or consumed by, air carriers or cargo carriers with scheduled service and a license to operate at TIA. In Fiscal Year 2017, fuel flowage fees were approximately \$1.7 million.

*Customer Facility Charges.* The Customer Facility Charge ("CFC") is a charge imposed on all rental car agreements emanating from TIA, collected by the rental car concessionaires and remitted monthly to TIA. The proceeds from the CFC's are designated by the Airport Trustees for rental car facility improvements at TIA, including related debt service. The CFC was last increased on August 1, 2010 from \$2.60 to \$4.00 per transaction day. In Fiscal Year 2017 the revenue earned through the CFC was approximately \$3.2 million.

*Concession Revenues.* The major sources of concession revenues include (a) restaurant services, which are currently under a ten year contract to Creative Food Group TUL, LLC commencing with completion of the leasehold improvements under construction as of the date hereof, (b) gift shops and newsstands which are currently under a new ten year contract to the HG Tulsa Retailers JV commencing with completion of the leasehold improvements under construction as of the date hereof, (c) automobile rentals which are under concession leases expiring February 28, 2022, to Avis Budget Car Rental, LLC, EAN Holdings, LLC, and The Hertz Corporation car rental brands, and (d) a Hilton Garden hotel and a Clarion hotel under leases expiring October 31, 2062 and October 31, 2048, respectively. In Fiscal Year 2017, concession revenues were approximately \$5.5 million.

*Parking Revenues.* TIA parking facility is being operated under a management agreement with American Parking, Inc., which expires June 30, 2019. In Fiscal Year 2017, gross parking revenues totaled approximately \$9.8 million, resulting in net parking revenues of \$8 million after expenses.

*General Aviation Activities.* TIA has several fixed base operators, including but not limited to Atlantic Aviation, Bizjet International Sales and Support, Inc., Premier Jet Center, Inc. dba Legacy Jet, Sparrow Hawk, Inc., Tulsair Beechcraft, Inc. and US Aviation Company. Fixed base operators generally have a 25 year ground lease for their own structures which are financed by the individual fixed base operator. In Fiscal Year 2017, revenues generated from general aviation activities at TIA totaled approximately \$0.9 million, while revenues generated from general aviation activities at RVS totaled approximately \$0.2 million.

*Other Aeronautical – Hangar, Cargo Space and Ground Rents.* TIA leases land, office and cargo space that has access to the airfield. Airlines, cargo carriers, and related service companies such as American Airlines, ARCP FE Tulsa, FAA, Southwest Airlines, and U.S. Customs Service lease such land, office and cargo space. In addition, TIA receives building and hangar rentals from single tenants based on the twenty year amortization of the appraised valuation of their structure and estimated structural maintenance requirements including rent received from the American Engineering & Maintenance Base and certain Spirit AeroSystems facilities. In fiscal year 2017, Other Aeronautical – Hangar, Cargo Space and Grounds Rents totaled approximately \$1.9 million.

*Other Operating Revenue.* In Fiscal Year 2016, TIA brought its terminal area advertising program in-house resulting in increased advertising revenue. Advertising, along with other revenue sources such as security and utility reimbursements, and landside building and ground rental activity generated revenues of approximately \$2.8 million in Fiscal Year 2017.

## **FUNDS NOT GROSS REVENUES**

*Dedicated Revenues.* Passenger Facility Charges (“PFCs”) are not included in the definition of Gross Revenues. However, the Indenture permits the Airport Trustees to pledge certain receipts (such as PFCs) that are not included in the definition of Gross Revenues to the payment of certain Bonds if the Airport Trustees irrevocably dedicate such receipts as Dedicated Revenues. The Airport Trustees have adopted resolutions dedicating 1.25 times debt service on the following outstanding bonds, subject to the following larger amounts, (i) \$20,483,347 of PFCs for the 2004A Bonds, up to approximately \$2,352,000 per year of PFCs as Dedicated Revenues for the 2004A Bonds, (ii) \$60,000,000 of PFCs for the 2009A Bonds, up to \$4,000,000 per year of PFCs as Dedicated Revenues for the 2009A Bonds and (iii) \$78,100,000 of PFCs for the 2013A Bonds, up to \$2,700,000 per year of PFCs as Dedicated Revenues for the 2013A Bonds. Historically, the Airport Trustees have applied PFCs to debt service on certain Outstanding Bonds issued to finance Federal Aviation Administration (“FAA”) approved PFC projects. Application of PFC receipts to any purpose other than an approved PFC project or Debt Service on Bonds issued to finance an approved PFC project would constitute a violation of the federal law and regulations applicable to PFCs and could result in termination of the authority of the Airport Trustees to impose such PFC or a reduction in federal grants. Dedicated Revenues are added to Gross Revenues for purposes of determining compliance with the Rate Covenant and the Additional Bonds test, but are not available to pay debt service on certain long-term debt of the Airport Trustees, including but not limited to the 2018A Bonds. See “DESCRIPTION OF THE AIRPORTS AND PLANNED AIRPORTS IMPROVEMENTS – Passenger Facility Charge”.

*Federal Grants.* The Airport and Airway Improvement Act created the Airport Improvement Program (“AIP”), which is administered by the FAA and funded by the Airport and Airway Trust Fund. This fund is financed by federal aviation user taxes. Grants are available to airport operators in the form of entitlement funds and discretionary funds. Entitlement funds are apportioned annually based upon the number of enplaned passengers and cargo tonnage; discretionary funds are available at the discretion of the FAA based upon a national priority system. The Airport Trustees were awarded grants from the FAA and the Oklahoma Aeronautics Commission of approximately \$5.2 million in Fiscal Year 2017 for a total of \$52.4 million in Fiscal Years 2013 through 2017.

See “DESCRIPTION OF THE AIRPORTS AND PLANNED AIRPORTS IMPROVEMENTS” – “Planned Airports Improvements” and “Estimated 5-Year Cost Of Airports Improvements (FY 2019-FY 2023)”.

## **AIRLINE-AIRPORT USE AND LEASE AGREEMENTS**

As discussed under “AUTHORITY AND SECURITY FOR THE 2018A BONDS – Security for the 2018A Bonds - Rate Covenant”, “GROSS REVENUES”, and “FUNDS NOT GROSS REVENUES”, the Airport Trustees have entered into separate but substantially identical Use and Lease Agreements with the Signatory Airlines. Under the Use and Lease Agreements, the Signatory Airlines pay Terminal Rental Rates calculated according to a typical commercial compensatory methodology, allocating the Terminal Building’s total operating expense over the square feet of leasable space, including ticket counter areas, holdroom, upper level offices, operations, baggage makeup, baggage claim area and offices, administrative offices, and unenclosed lower level space. Landing fees are calculated according to a cost center residual methodology which essentially provides for a breakeven financial result in the airfield cost center. The Use and Lease Agreements each include a provision for “extraordinary coverage protection” which permits the Airport Trustees to adjust Signatory Airline rates upon 30 days written notice if the Airport Trustees estimate it will not meet its rate covenant. See “AUTHORITY AND SECURITY FOR THE 2018A BONDS - Security for the 2018A Bonds – Rate Covenant” herein and “GROSS REVENUES”, and “FUNDS NOT GROSS REVENUES” herein and “SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE-AIRPORT USE AND LEASE AGREEMENTS” and “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Covenant as to Rates, Rentals, Fees and Charges” included in Appendix C and Appendix E, respectively, to this Official Statement.

To allow completion of negotiations of new five-year Airline-Airport Use and Lease Agreements and Cargo Carrier Use and Lease Agreements in the ordinary course, the Airport Trustees and the Signatory Airlines and Signatory Cargo Airlines approved a one-year amendment that extends the current Airline-Airport Use and Lease Agreements and Cargo Carrier Use and Lease Agreements to June 30, 2019. In connection with the one-year extension, the rate making process was eliminated through the agreement to extend current rates and charges and

placing a cap on overall airline revenues paid to the Airport Trustees at the amount received over past years, or approximately \$11.5 million annually. It is expected that new five-year Airline-Airport Use and Lease Agreements and Cargo Carrier Use and Lease Agreements between the Airport Trustees and each of the Signatory Airlines and Signatory Cargo Airlines will be finalized and executed prior to June 30, 2019.

The Use and Lease Agreements include a pre-approved capital improvement program (the “Pre-Approved CIP”). The Pre-Approved CIP contains a list of planned capital expenditures and a corresponding funding plan by the Airports that was agreed to by the Airport Trustees and the Signatory Airlines. The Use and Lease Agreements provide the Airport Trustees with the right to include capital and operating expenses associated with projects in the Pre-Approved CIP in the calculation of airline rentals, fees and charges.

While the Bonds, including but not limited to the 2018A Bonds, are secured in part by a pledge of revenues, including revenues received by the Airport Trustees pursuant to the Airline-Airport Use and Lease Agreements and the Signatory Cargo Carrier Use and Lease Agreements, the Bonds, including but not limited to the 2018A Bonds, are not a debt of the Signatory Airlines or the Signatory Cargo Airlines. Each Use and Lease Agreement is for a term continuing until June 30, 2019, unless otherwise terminated.

## **DESCRIPTION OF THE 2018A BONDS**

### **General**

The 2018A Bonds will be dated the date of delivery thereof and will bear interest at the rates and will mature on the dates and in the principal amounts set forth on the inside cover of this Official Statement. Interest on the 2018A Bonds will be payable beginning on June 1, 2019, and semiannually on each June 1 and December 1 thereafter to maturity.

The 2018A Bonds will be issued in fully registered form and when issued, will be registered in the name of Cede & Co., as a nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as the securities depository (the “Securities Depository”) for the 2018A Bonds. Individual purchases will be made in book-entry form only in the principal amount of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the 2018A Bonds. See “BOOK-ENTRY ONLY SYSTEM” herein.

### **Optional Redemption**

The 2018A Bonds maturing on or after June 1, 2029 shall be subject to optional redemption prior to maturity on and after June 1, 2028, in whole or in part on any date, at a redemption price equal to one hundred percent (100%) of the principal amount thereof plus unpaid accrued interest to the date of redemption.

### **Mandatory Redemption from Sinking Funds**

The 2018A Bonds maturing on June 1, 2031, June 1, 2033, June 1, 2035, June 1, 2038, June 1, 2043 and June 1, 2048 are subject to redemption from moneys required to be credited to the Principal Account in the Bond Fund in amounts sufficient to redeem on June 1 of each year with respect to such maturity the principal amount of such 2018A Bonds specified for each of the years shown below, together with the interest accrued thereon to the date fixed for the redemption thereof:

2018A Bonds Due June 1, 2031

| <u>Year</u><br><u>(June 1)</u> | <u>Principal Amount</u> |
|--------------------------------|-------------------------|
| 2030                           | \$545,000               |
| 2031*                          | 575,000                 |

2018A Bonds Due June 1, 2033

| <u>Year</u><br><u>(June 1)</u> | <u>Principal Amount</u> |
|--------------------------------|-------------------------|
| 2032                           | \$605,000               |
| 2033*                          | 635,000                 |

2018A Bonds Due June 1, 2035

| <u>Year</u><br><u>(June 1)</u> | <u>Principal Amount</u> |
|--------------------------------|-------------------------|
| 2034                           | \$665,000               |
| 2035*                          | 690,000                 |

2018A Bonds Due June 1, 2038

| <u>Year</u><br><u>(June 1)</u> | <u>Principal Amount</u> |
|--------------------------------|-------------------------|
| 2037                           | \$750,000               |
| 2038*                          | 530,000                 |

2018A Bonds Due June 1, 2043

| <u>Year</u><br><u>(June 1)</u> | <u>Principal Amount</u> |
|--------------------------------|-------------------------|
| 2039                           | \$815,000               |
| 2040                           | 850,000                 |
| 2041                           | 895,000                 |
| 2042                           | 940,000                 |
| 2043*                          | 985,000                 |

2018A Bonds Due June 1, 2048

| <u>Year</u><br><u>(June 1)</u> | <u>Principal Amount</u> |
|--------------------------------|-------------------------|
| 2044                           | \$1,040,000             |
| 2045                           | 1,095,000               |
| 2046                           | 1,150,000               |
| 2047                           | 1,210,000               |
| 2048*                          | 1,275,000               |

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\*Stated maturity.

The moneys required to be credited to the Principal Account in the Bond Fund are to be applied to the redemption of the 2018A Bonds maturing on each of June 1, 2031, June 1, 2033, June 1, 2035, June 1, 2038, June 1, 2043 and June 1, 2048, in part from time to time by lot at the principal amount thereof plus accrued interest to the

date fixed for redemption, or to the purchase of such 2018A Bonds at prices not greater than the then applicable redemption price thereof plus accrued interest.

### **Extraordinary Optional Redemption**

The 2018A Bonds are subject to redemption, in whole at any time, at a redemption price equal to the principal amount of the 2018A Bonds to be redeemed, together with the interest accrued thereon to the date fixed for the redemption thereof, in the event of the destruction or damage to all or substantially all of the Airport, or the condemnation of the Airport. (See “SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE-AIRPORT USE AND LEASE AGREEMENTS – Damage or Destruction; Insurance; Indemnity” included in Appendix C to this Official Statement).

### **Selection of 2018A Bonds for Redemption**

Promptly upon selecting the 2018A Bonds for redemption, the Bond Trustee shall notify the Registrar and Paying Agent of the 2018A Bonds to be redeemed.

### **Notice of Redemption**

Notice of redemption of 2018A Bonds shall be given by the Registrar and Paying Agent for and on behalf of the Airport Trustees, by first class mail, postage prepaid, not less than thirty (30) days nor more than forty-five (45) days prior to the redemption date, to the Airport Trustees and the Owner of each 2018A Bond to be redeemed at the address shown on the registration books of the Registrar and Paying Agent on the date such notice is mailed. Each notice of redemption shall be in the form provided by the Bond Trustee, and shall state the CUSIP number of the 2018A Bonds to be redeemed, the principal amount to be redeemed from such Owner, the redemption date (and if accrued interest will not be paid on the redemption date, the date it will be paid), the redemption price, the place of redemption and that the 2018A Bonds must be presented at such place to collect the redemption price, the source of the funds to be used for such redemption and shall also state that the interest on the 2018A Bonds designated for redemption shall cease to accrue from and after such date. If applicable, such notice shall also state that the 2018A Bonds called for redemption may be purchased by or for the account of the Airport Trustees in lieu of redemption at a price not to exceed the redemption price of such 2018A Bonds.

Any notice of redemption may state that such redemption shall be conditional upon the receipt by the Bond Trustee on the date fixed for redemption of moneys sufficient to pay in full the redemption price of such 2018A Bonds (unless the Bond Trustee shall be in receipt of such moneys at the time such notice is given). If the redemption notice states that it is conditional and such moneys shall not be so received by the date fixed for redemption (i) such notice of redemption shall be of no force and effect; (ii) the Airport Trustees shall not redeem such 2018A Bonds; and (iii) the Bond Trustee shall give notice, in the manner in which the notice of redemption was given, that such moneys were not so received and that such redemption did not occur. In such event, the Bond Trustee shall promptly return 2018A Bonds which it has received to the Owners thereof.

The Registrar and Paying Agent shall give the foregoing notices by first class mail, postage prepaid, to the Owners of the 2018A Bonds at their addresses as shown on the bond registration books kept by the Registrar. Failure to give any notice of redemption as to any particular 2018A Bonds or any defect therein shall not affect the validity of the call for redemption of any other 2018A Bonds.

## **BOOK-ENTRY ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the 2018A Bonds. The 2018A Bonds will be issued as fully-registered securities in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered 2018A Bond certificate will be issued for each maturity of the 2018A Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s

participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchase of 2018A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2018A Bonds on DTC’s records. The ownership interest of each actual purchaser of each 2018A Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmations from DTC of their purchase, but Beneficial Owners are expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2018A Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2018A Bonds, except in the event that use of the book-entry only system for the 2018A Bonds is discontinued.

To facilitate subsequent transfers, all 2018A Bonds deposited by Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. The deposit of 2018A Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2018A Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 2018A Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications of DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices and all other notices required to be sent to the holders of 2018A Bonds shall be sent to Cede & Co. and not to Participants or Beneficial Owners. If less than all of the 2018A Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to 2018A Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the Airport Trustees 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 2018A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, redemption premium, if any, and interest and purchase price on the 2018A Bonds will be made to DTC. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 2018A Bonds 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 Airport Trustees or the Registrar and Paying Agent, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, redemption premium, if any, interest and purchase price to DTC is the responsibility of the Airport Trustees or the Registrar and Paying Agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the 2018A Bonds at any time by giving reasonable notice to the Airport Trustees or the Bond Trustee in its capacity as Registrar and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, 2018A Bond certificates are required to be printed and delivered to the Beneficial Owners or their nominees.

The Airport Trustees may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, 2018A Bond certificates will be printed and delivered to the Beneficial Holders or their nominees.

The above information concerning DTC, its procedures and DTC Participants was obtained directly from DTC. The Airport Trustees are not responsible for any of the above information nor are they responsible for DTC's relationship with its Participants, or DTC's rules or procedures or for DTC's Participants' relationships to their customers or the rules and procedures of those Participants. No assurance can be given by the Airport Trustees that DTC and its Participants will make prompt transfer of payments to Beneficial Owners or that DTC or its Participants will promptly transmit any notices or other communications which the Airport Trustees forward to 2018A Bondholders, to the Beneficial Owners. The Airport Trustees are not responsible or liable for payment by DTC or DTC Participants or for sending transaction statements or any other information to the Beneficial Owners or for maintaining, supervising or reviewing records maintained by DTC or its Participants.

According to DTC, the foregoing information with respect to DTC has been provided to the industry for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

The foregoing information concerning DTC and the book-entry-only system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation of, the Airport Trustees or the Underwriters.

### **INFORMATION PERTAINING TO THE AUTHORITY AND THE TRUST**

The Airport has been in continuous operation since 1928 and is currently operated by the Trust.

The Trust was created for the benefit of the City and the specific public purposes set forth in the Trust Indenture. The legality of similar municipal trusts has been sustained by the Supreme Court of Oklahoma, although the Supreme Court has not addressed the validity of the Trust itself.

The Trust entered into an Amended and Restated Lease Agreement with the City effective January 1, 2014 (the "Restated Lease Agreement"), to enhance operational efficiency, economy and service to the airlines serving TIA and reduce operating costs. The Restated Lease Agreement created more autonomy for the Trust, but continued the same underlying lease arrangements with the City. As a result of the Restated Lease Agreement, many of the financial and management services previously provided to the Trust by the City were undertaken by the Trust and the employees at the Airports were hired by the Trust upon termination of their employment with the City, effective January 1, 2014.

Under the Trust Indenture, the Trustees are empowered, among other things:

- (1) to acquire interests in real and personal property;
- (2) to alter and modify any and all airport improvements, buildings and structures located on any leasehold estate acquired by the Trust, and to erect, construct and install additional buildings, structures, fixtures, equipment and facilities therefor;
- (3) to incur indebtedness to cover the cost thereof and to refinance such indebtedness;
- (4) to lease or sublease such premises with or without such improvements and to secure the payment of such indebtedness by the assignment of all or any part of the rents and income that may be derived thereunder, with full power and authority to enforce all terms and conditions of, and to modify and cancel or otherwise terminate, the same; and
- (5) to acquire by lease, purchase, devise, bequest or otherwise, and to plan, establish, develop, construct, enlarge, improve, maintain, equip, operate and regulate any and all physical properties designed or needful for utilization in the furnishing and providing of services in connection with the Airports.

Pursuant to the Trust Indenture, when any person has been appointed and qualified as a member of the Authority, he is thereupon deemed to have accepted an appointment as an Airport Trustee, and continues as such as long as he remains a member of the Authority.

Under the Restated Lease Agreement, the City has leased, assigned and pledged to the Trust the following:

- (1) the Airports;
- (2) all unexpired and future Use and Lease Agreements with the Airlines, Cargo Carrier Use and Lease Agreements with cargo carriers, and all other unexpired leases and contracts executed, or to be executed by the City and third parties, regarding the Airports or any goods or services provided at the Airports;
- (3) all income, revenues and money derived from the operation and management of the Airports, or the furnishing and supplying of the services, facilities, and commodities and including income derived from any Special Facility Lease (as defined in the Bond Indenture), or from the sale or rental of any commodities or goods in connection with the Airport; and
- (4) all property, real or personal, property rights and privileges acquired in the name of the City, for use in connection with the Airports, including all other property (real, personal, mixed or otherwise), additions, expansions and improvements, now or hereafter constructed or acquired belonging to or pertaining to the Airports.

### **Airport Trustees and Authority Members**

*Jeff Stava*, Chairman, is Chief Operating Officer of the Tulsa Community Foundation, oversees the George Kaiser Family Foundation's real estate portfolio, and is the Project Director for the Gathering Place for Tulsa's River Parks development project. He also serves as the executive director of the Tulsa Beautification Foundation (a TCF supporting organization) where he supports projects including downtown revitalization, economic development, neighborhood improvement and beautification. Formerly, Mr. Stava was President and CEO of Outdoor Innovations and Sports Wire, LLC. Mr. Stava is Chair of the Tulsa Industrial Authority, a founding member of the Visit Tulsa Capital Campaign Oversight Committee, on the Board of Governors for Catholic Charities and a member of Young Presidents Organization. Mr. Stava is a graduate of Baylor University with a degree in Business Administration, Operations Management.

*Joe Robson*, Airport Trustee, is President of The Robson Companies, Inc., developer of Forest Ridge and Forest Ridge Golf Club, an 800 acre Master Planned Community in Broken Arrow, Oklahoma. Mr. Robson is a graduate of Southern Methodist University and the Graduate Builders Institute – National Association of Home Builders. He has served on the Board of Directors of the National Association of Home Builders and as President of the Tulsa Home Builders Association and the Oklahoma State Builders Association. Mr. Robson has been a Director of the Oklahoma State Chamber of Commerce and Industry and the Metropolitan Tulsa Chamber of Commerce as well as the Broken Arrow Chamber of Commerce and the Broken Arrow Economic Development Corporation, including service as Chairman of each entity, and on the Broken Arrow Public Schools Foundation

*G.T. Bynum*, Mayor and Airport Trustee Ex-Officio – Mayor Bynum was sworn in as the 40th Mayor of Tulsa on December 5, 2016. Prior to his election as Mayor, Bynum served for eight years on the Tulsa City Council. During that time, he was elected as the youngest City Council Chairman in Tulsa history. Throughout his time in Tulsa city government, Mayor Bynum has focused on fiscal restraint, public safety, and infrastructure. He led the successful effort to enact the largest streets improvement package in the city's history, authored the first city sales tax cut in Tulsa history, crafted budget amendments putting Tulsa Police Department helicopters back into service and doubling the number of Police academies, authored legislation creating the first municipal rainy day fund in Oklahoma, and coordinated efforts to establish the first municipal veterans treatment court in the United States. Mayor Bynum previously worked as the managing partner of Capitol Ventures, and before that in the United States Senate for Senators Don Nickles and Tom Coburn. He has also worked on the senior management team of a national real estate firm and for the American Red Cross. Mayor Bynum has served on the boards of directors for Leadership Oklahoma, Leadership Tulsa, and the Tulsa Historical Society. He also served on the Board of Regents for the University of Science and Arts of Oklahoma, and is currently a member of the Augustinian Advancement Advisory Council. Mayor Bynum is a graduate of Villanova University, where he served as Student Body President, and is a graduate of Leadership Oklahoma and Leadership Tulsa.

*Mary E. Smith Crofts*, Airport Trustee, has served the state's aerospace industry for over a decade including service as Executive Director of the Oklahoma Aerospace & Defense Alliance, Vice President of Economic Development for the Tulsa Metro Chamber and Director of Marketing and Business Development for the Tulsa Airport Authority where she was also responsible for air service development and creation/management of the Aerospace Alliance of Tulsa. During her tenure on Airport staff, Ms. Crofts received her professional designation as a Certified Member of the American Association of Airport Executives. She previously served on the Oklahoma Aeronautics Commission, the Oklahoma Space Industry Development Authority (OSIDA), the Oklahoma Aerospace Alliance Advisory Group, the Tulsa Air and Space Museum, and as Chair of the Tulsa Economic Development Commission. Ms. Crofts received her degree from Illinois State University, is a licensed private pilot, and a graduate of Leadership Tulsa and Leadership Oklahoma.

*Kent Harrell*, Airport Trustee, is President and owner of Harrell Energy Co. in Tulsa. Mr. Harrell graduated from the University of Oklahoma with a BBA in Petroleum Land Management and has served his industry as a Director of Tulsa Association of Petroleum Landmen and American Association of Petroleum Landmen, Board Member, Secretary and Chairman of the Oklahoma Independent Petroleum Association, Co-Founder and Chairman of the Natural Gas Policy Committee of the OIPA, and founding member of the Oklahoma Energy Resources Board. Mr. Harrell received a Lifetime Achievement Award from TAPL, was a Service Award recipient of OIPA's and its first Member of the Year, and the Wildcatters Club of Oklahoma selected him as a Hall of Honor recipient. His community service includes tenure on the Gilcrease Museum Board, the Thomas Gilcrease Museum Trust Advisory Council, the Gilcrease National Board, presidencies of the Summit Club of Tulsa and the Petroleum Club of Tulsa, and board membership of Tulsa Zoo Management, Inc. Mr. Harrell was a Co-Founder and Board Member of Summit Bank of Tulsa and serves on the Advisory Board of Commerce Bank, Tulsa.

### **Authority Administration**

The administrative staff of the Authority includes the following management personnel:

*Mark VanLoh*, A.A.E., President and CEO, joined the airport in February 2017. Mr. VanLoh is a 32-year aviation veteran. His association with the industry began when he received his pilot's license while serving in the U. S. Army. He graduated from Minnesota State University with a degree in Aviation Management and a minor in Economics. After college, he went to work for Pan Am in New York and supervised airline operations at several New York area airports.

Subsequently, Mr. VanLoh served as Airport Director in Rockford, Illinois, Toledo, Ohio, and Cleveland, Ohio and as Director of Aviation in Kansas City. In Tulsa, he oversees the operation of three airports - Tulsa International Airport (TUL), R.L. Jones, Jr. Airport (RVS), and Okmulgee Regional Airport (OKM) and is actively involved with industry trade organizations including Airports Council International and the American Association of Airport Executives. Currently, he serves on the Board for the International Association of Airport Executives.

*Chuck Hannum*, CM, ACE, Deputy Director of Operations and Law Enforcement, has been actively involved in aviation for over forty years. Mr. Hannum is responsible for ensuring the safety and security of the airport, the employees, vendors, and the traveling public. Mr. Hannum joined the staff at TIA in November, 1998 as an Operations/Law Enforcement Officer and has subsequently served as the Airport Construction Coordinator and the Airport Security Manager.

Mr. Hannum retired from the U.S. Army where he served as an Aviation Staff Officer, Aviation Accident Investigator, and a Rotary Wing Aviator. Mr. Hannum's education includes a Bachelor's degree from Embry-Riddle Aeronautical University in Daytona, Florida and a MBA from Phoenix University. He has also completed the American Association of Airport Executives A.C.E. Program for both Security and Operations and is an AAAE Certified Member.

*Fabio Spino*, Chief Financial Officer, joined the Airport in February 2015 as the Accounting Manager and was elevated to Chief Financial Officer in July 2018 upon the retirement of the former Deputy Director of Finance and Administration. Mr. Spino earned a Bachelor of Science in Business Administration, Finance from the University of Rhode Island and a Master of Business Administration from Norwich University, where he completed the program *summa cum laude*. Mr. Spino was elected a member of Delta Mu Delta, an International Business Honors Society while completing his Master's program. Mr. Spino has over twenty years' experience in finance ranging from banking to real estate, working for such organizations as AMB Property Corporation, JP Morgan Chase, and Boston Financial Data Services. Prior to joining the Airport Mr. Spino held positions with Franklin

Street Properties Inc. in Wakefield Massachusetts an investment firm specializing in and focusing on the asset class of real estate. Mr. Spino was the Assistant Controller for Symes Associates Inc., located in Beverly Massachusetts, a private real estate management and development firm.

*Alexis Higgins, A.A.E.*, Deputy Director, Marketing and Air Service Development, joined the Airport in February 2000. Throughout her tenure she has been responsible for the oversight of TIA's Aviation Education Program and Volunteer Airport Ambassador Program, along with other customer relations initiatives. In January of 2007, Ms. Higgins was named Deputy Director of Marketing with responsibility for oversight of all marketing, public relations and air service development activities of Tulsa's airports. She graduated *cum laude* from the University of Tulsa Business School, where she was named Outstanding Marketing Graduate, with a degree in Marketing and double minors in Management and Russian Language. She achieved the professional designation of Accredited Airport Executive from the American Association of Airport Executives in June 2010. In addition to her work at the airport, she serves on the board of the Tulsa Air and Space Museum.

*Frank Relja, PE*, Director, Engineering and Facilities Maintenance, joined the Staff as Airports Facilities Engineer in July, 1995, became Senior Engineering in July, 2000, moved into the Facilities Section Chief position in August, 2004, and was appointed to his current position in July, 2016. Prior employment included Project Manager for the consulting firm HNTB, (1987-1995), Design Engineer and Estimator for JEM Engineering, (1985-1987) and Inspector for the Missouri Department of Transportation, (1983-1985). He attended the University of Missouri-Rolla (Missouri S&T) and earned a Bachelor of Science Degree in Civil Engineering. Mr. Relja is a Registered Professional Engineer in the State of Oklahoma, a member of the Order Of The Engineer, and Oklahoma Airports Operators Association.

*Jeff Shaw*, Manager of Risk and Legal Services, joined the Airport in June, 2011. Mr. Shaw holds a certified paralegal designation with an advanced certification in trademarks. Until January, 2018, Mr. Shaw worked under TAIT's former in-house counsel and secretary. He currently works with all Airport departments to ensure that risk management and insurance issues are properly addressed as well as managing, supervising, and directing all out-sourced legal work.

Mr. Shaw began his career in 1994, as a litigation paralegal at Gardere Wynne Sewell LLP, concentrating on complex environmental defense litigation involving historical oilfield operations, Resource Conservation and Recovery Act (RCRA) and Superfund (CERCLA) and other issues, including significant environmental matters at San Francisco International Airport and Miami International Airport. Mr. Shaw also assisted a trade group of federal oil and gas lease holders in crafting federal legislation that came to be known as the Federal Oil and Gas Royalty Simplification and Fairness Act of 1996 (FOGRSFA). In early Fall of 2001, Mr. Shaw went to work at the Tulsa, Oklahoma law firm Hall, Estill, Hardwick, Gable, Golden and Nelson, PC, again focusing on complex litigation defense, primarily large-scale construction litigation that involved multinational Deepwater Gulf of Mexico SPAR and Tension Leg Platform (TLP) construction issues. He has assisted "at the table" in numerous state and federal trials in many jurisdictions, and has also managed complex, large-scale document productions.

Mr. Shaw graduated from Tulsa Community College with a degree in paralegal studies in 1996 with honors, and was admitted Phi Theta Kappa.

## **DESCRIPTION OF THE AIRPORTS AND PLANNED AIRPORTS IMPROVEMENTS**

### **Tulsa International Airport**

TIA, which began operations in 1928, is located within the limits of the City of Tulsa, approximately seven miles from the central business district. TIA encompasses approximately 4,926 acres, the majority of which are used for TIA operations or reserved for future TIA growth. The remainder of the acreage is used for an Air National Guard facility, facilities for Spirit Aerosystems, Inc. ("Spirit"), and the American Airlines Maintenance and Engineering Center.

The FAA classifies TIA as a small hub. A small hub is defined as a community enplaning less than 0.25% of the total passengers enplaned on certificated route air carriers scheduled service in the United States.

*Runway Complex.* TIA's runway pattern consists of two parallel North/South runways and an East/West runway, which are designed to accommodate 90 peak hour aircraft flight operations under visual flight conditions and a maximum of 50 peak hour operations under instrument flight conditions. The primary North/South (18L/36R) runway is a concrete grooved runway, separated by 5,000 feet from the secondary runway, is 9,999 feet long and 150 feet wide, with high intensity edge lights, and precision approach path indicators. This runway was totally reconstructed, with reconstruction completed in July of 2014, and has Category II instrument landing approach system for runway 36R and a Category I instrument landing approach system for runway 18L. The lighting system and all other field lighting at TIA are supported by two alternate sources of commercial power, with an electric power generator as a third source.

The secondary North/South (18R/36L) runway is constructed of grooved asphalt and is used predominantly by general aviation traffic. This runway has High Intensity Edge Lights with Runway End Identification Lights and Precision Approach Path Indicators. It is currently 6,101 feet long and 150 feet wide. This runway was extended 600 feet to its present length in 1985. This runway has a Category I instrument landing system for approaches from the north and RNAV (GPS) approaches from the south.

The East/West (08/26) runway is a concrete grooved runway which is 7,376 feet long and 150 feet wide. This runway has High Intensity Edge Lights, Runway End Identification Lights, Precision Approach Path Indicators, and RNAV (GPS) and VOR/DME instrument approach procedures to both ends of the runway.

The primary North/South (18L/36R) runway and the East/West (08/26) runway are designed to accommodate the heaviest commercial or military aircraft that are currently in service. The approaches and departures on all three runways are supported by the latest ASR 9 Radar system which is incorporated in the facilities of the Tulsa Air Traffic Control Tower.

*Terminal Area.* The air-line passenger terminal, which has approximately 568,151 square feet of usable space and 22 gates, is located on the south edge of TIA between the two parallel North/South runways. Access to the terminal is provided by expressways on the North, East and South sides of TIA and is supplemented by a major arterial street system around the perimeter of TIA. In addition, rail service is available on the North and South perimeters and an inland water port is located within five miles of the terminal building. The terminal uses a two-finger, two-level, concourse configuration with upper level gate lobbies. The central portion of the terminal, located between the concourses houses passenger ticketing and commercial ground transportation. Each concourse has its own baggage claim area on the upper level located directly across from the public parking lot and is connected by a walkway to commercial ground transportation in the center terminal. Waiting areas, shops, offices and dining facilities are also located on the upper level.

*Parking Garage.* In August of 2015, TIA began a project to reconstruct and expand the existing parking garage. The expansion includes a partial third level that provides additional public parking and will allow the airport to reclaim covered parking on the facility's lower level by moving rental car operations to the newly covered second level. The project was completed in the spring of 2017.

*General Aviation Facilities.* Thirty major hangars have been constructed for general aviation activities at TIA. The principal suppliers of service to general aviation traffic are six fixed base operators, which provide fueling and other aviation services. There are approximately 156 general aviation aircraft based at TIA.

*Other Facilities.* The Oklahoma Air National Guard, 138th Fighter Wing, is located in the extreme northeast section of TIA air operations area. This facility is located on 100.44 acres of land and employs approximately 1,000 civilians and military personnel. The Guard currently maintains General Dynamics F-16 aircraft.

The Army Aviation Support Facility, 1st Battalion 245th Aviation, located east of TIA employs 90 military and civilian personnel. They currently maintain 15 UH-60 military helicopter aircraft. The Army National Guard and Air National Guard have agreed to supplement emergency rescue services at TIA should a major disaster occur.

American Airlines ("American") Maintenance, Repair and Overhaul Center ("MROC"), located on 244 acres along the central eastern edge of TIA, is American's worldwide headquarters for maintenance and engineering. The MROC is American's largest overhaul base and the world's largest maintenance facility featuring 3.3 million square feet of hanger and shop space stretching across 33 acres with six aircraft hangars in which heavy maintenance, repair and overhaul work is performed on Boeing, McDonnell Douglas and Airbus aircraft, as well as

overhaul work on Pratt & Whitney and GE engines. The City of Tulsa owns the land and most of the buildings at the MROC where approximately 6,700 employees provide major overhaul, inspection and maintenance for American's fleet, while providing maintenance and engineering work for several outside companies as well.

In April 2016, Tulsa voters approved an extension of the City of Tulsa's Vision 2025 tax initiative which included funding for additional infrastructure improvements at the Airport over the next several years. The City's infrastructure development at the MROC includes modifying, enlarging, and enhancing three (3) doors at two (2) hangars on the Base Premises to allow new larger aircraft to be repaired and maintained at the MROC, as well as other significant upgrades. In addition, DXC Technology Services (formerly HP Enterprises Services) ("DXC") employs between 500-1,000 people at its facility adjacent to the MROC. DXC provides computer reservation and related services to American and other commercial companies.

A former federal government defense facility known as Air Force Plant No. 3 occupies 332 acres of land and is located contiguous to the southeast section of TIA. In 1994, the United States Department of the Air Force leased a portion (86 acres with facilities) to the City of Tulsa who assigned the lease to the Airport Trustees. On May 10, 1995, the United States Department of the Air Force leased to the City the remainder of Air Force Plant No. 3 containing 246 acres with facilities and improvements thereon (the "1995 Lease"). In 1994, legislation was approved by the United States and signed by the President (Section 2831, Public Law No. 103-337, Oct. 5, 1994) which permitted the facility to be transferred to the City. In December 1999, the U.S. Air Force transferred to the City by Quit Claim Deed the ownership of Air Force Plant No. 3. The Airport Trustees are not obligated to utilize, expend or commit any funds, income, revenues or grants of the Airport Trustees on Air Force Plant No. 3.

In 1994, the Airport Trustees subleased approximately 56 acres of the Air Force Plant No. 3 and related facilities to Rockwell International Corporation ("Rockwell") for use as facilities in support of military and commercial contracts. This lease was assigned to the Boeing Company ("Boeing") upon its purchase of Rockwell's Defense and Aerospace Operations in 1997. In May of 1998, the City leased a major portion of Building 1 at Air Force Plant No. 3 to Boeing for the manufacture of various aircraft components and parts. In 2005, Boeing leases and assets at the Airport were transferred to Mid-Western Aircraft Systems, Inc. In July 2005, Mid-Western Aircraft Systems, Inc. changed its name to Spirit Aerosystems, Inc. ("Spirit").

Spirit is a non-original equipment manufacturer (OEM), aircraft parts designer and manufacturer of commercial aero-structures. Spirit employs more than 2,000 people at TIA and another 250 in McAlester, Oklahoma. Spirit is the world's largest Tier 1 aerospace manufacturing company. Boeing is currently Spirit's most significant customer. In Tulsa, Spirit manufactures wing components for many Boeing products including the new 787. On December 9, 2014, Spirit announced the sale of its Gulfstream wing work packages at Spirit's facility at TIA to Triumph Group Inc., a Pennsylvania-based international supplier of aerospace components and systems. The sale to Triumph Aerostructures Tulsa, L.L.C. ("Triumph") closed on December 30, 2014, and includes both the G650 and G280 wing programs.

Tulsa is headquarters to Triumph Aerostructures' (Vought Aircraft Division) Gulfstream G650 and G280 wing program. The G650 is an ultra-large-cabin, ultra-long-range business jet that is the flagship aircraft for Gulfstream. The G280 is a super mid-size business jet manufactured in Israel through a partnership with Israel Aerospace Industries. Triumph reports a long track record of performance with more than 70 years of experience and a highly skilled workforce that specializes in jet wing design, engineering and production.

The remaining portion of Building 1 at Air Force Plant No. 3 is leased to IC of Oklahoma LLC, who converted the facility to a state of the art school bus manufacturing plant. IC of Oklahoma LLC currently employs more than 1,000 people at its Tulsa manufacturing facility. These employees put nearly 11,000 new school buses on the road each year.

The City of Tulsa leased a portion of the Air Force Plant No. 3 contiguous to TIA to TranAlliance Tulsa, LLC ("TranAlliance") in 1999. In 2000, the City assigned the TranAlliance lease to the Airport Trustees. TranAlliance subleased the facilities to Federal Express Corporation for air cargo use. In March 2014, with the approval of Airport Trustees, TranAlliance assigned the sublease to ARCP FE Tulsa, LLC. The facility continues to be used by Federal Express for air cargo.

## **R.L. Jones, Jr. Airport**

R. L. Jones, Jr. Airport (“RVS”), which began operations in 1958, is located in the southwestern quadrant of the City of Tulsa, adjacent to the City of Jenks. Presently, RVS encompasses approximately 752 acres and is bounded on the south by 91st Street South, on the north by 81st Street South, on the east by the Midland Valley Railroad tracks, and on the west by Elwood Avenue.

*Runway Complex.* RVS’ runway pattern consists of two parallel North/South runways and an East/West runway. All three runways are constructed of asphalt. The East/West (13/31) runway and the North/South (19L/01R) runway have a single-wheel gross weight bearing capacity of 30,000 pounds, and are equipped with Medium Intensity Runway Lights and Visual Approach Slope Indicators. The primary North/South (19R/01L) runway has a single-wheel gross weight bearing capacity of 60,000 pounds.

The primary North/South (19R/01L) runway is 5,102 feet long and 100 feet wide, with High Intensity Edge Lights, Precision Approach Path Indicators. Runway 01L has a Category I Instrument Landing System. The secondary North/South (19L/01R) runway is 4,208 feet long and 100 feet wide. The East/West (13/31) runway is 2,641 feet long and 50 feet wide. The latter two runways have Medium Intensity Edge Lights and Visual Approach Slope Indicators.

Runway 19R/01L is served by a parallel taxiway system which connects the runway with the apron and hangar areas located on the western portion of airport property. Runway 19L/01R is served by a parallel taxiway system located to the east of the runway. Both ends of Runway 13/31 are served by short parallel taxiways which connect the runway ends with the parallel taxiway systems serving the main runways. In addition, several stub taxiways connect the aircraft parking apron areas and hangar areas with the major taxiways serving the runways. The taxiways are surfaced with asphalt and are 30 to 40 feet in width.

*Other Facilities.* RVS is served by an FAA Air Traffic Control Tower. The tower is equipped with a repeater radar unit (STARS) which receives a radar signal generated from the radar antenna located at TIA.

RVS is serviced by miscellaneous aircraft repair, maintenance and dealer hangars. There are two (2) active licensed full service fixed base operators at RVS providing full service through fuel sales, flight instruction, aircraft rental and maintenance. Flight instruction is principally provided by three large service providers (Spartan School of Aeronautics, Riverside Flight Center, and Tulsa Community College).

In addition, RVS is served by many hangar structures of various types including large fixed base operators, industry, flight school, and maintenance hangars, small commercial aviation, undivided T-hangars, T-hangars, and executive and condominium hangars. There are approximately 500 aircraft based at RVS.

In 1998, the Tulsa Technology Center, an Oklahoma vocational technical school, acquired a 33-acre tract and constructed a \$38 million campus contiguous to the R.L. Jones Airport and have entered into an access agreement with the Airport Trustees for use of the R.L. Jones Airport for flight and training operations.

### **Planned Airports Improvements**

The approved Airport Trustees’ Fiscal Year 2019-2023 Capital Improvement Plan (CIP) identifies projects and potential non-operating funding sources to complete improvements to airside and landside facilities at TIA and R.L. Jones, Jr. Airport. The CIP is updated annually and covers a 5-year planning horizon. Anticipated funding sources for improvements include eligible Federal financial assistance (AIP Grants), Passenger Facility Charges and local funding or a combination thereof when applicable.

The following table sets forth the estimated costs of airports improvements for the Fiscal Years 2019-2023:

**Estimated 5-Year Cost Of Airports Improvements (FY2019-FY2023) <sup>(1)</sup>**  
**(Dollars in Thousands)**

|  | <b>Estimated<br/>Total Cost<sup>(1)</sup></b> | <b>Estimated<sup>(2)</sup><br/>Federal<br/>Assistance</b> | <b>Payable by<br/>Airport</b> |
|--|---|---|-------------------------------|
| Terminal Building Improvements               | 14,800  | 0   | 14,800                        |
| Airfield Improvements                        | 38,158  | 32,195  | 5,963                         |
| Parking and Roadway Improvements (Landslide) | 4,050   | 0   | 4,050                         |
| R. L. Jones, Jr. CIP                         | 4,781   | 4,210   | 571                           |
| Total Estimated Cost of Improvements         | <u>61,789</u>                                 | <u>36,405</u>   | <u>25,384</u>                 |

(1) Estimated costs provided by Airport Staff.

(2) Amounts not funded from federal grants must be funded from available Airport Trustees' funds and other sources, including Passenger Facility Charges and proceeds of Bonds. Figures for R.L. Jones, Jr. also include estimated State Assistance.

Parking and Roadway Improvements (Landside) identified in the Fiscal Year 2019-2023 Capital Improvement Plan include replacing the canopy fabric on the top floor of the parking garage and constructing additional valet parking capacity at TIA. The largest components of Terminal Building Improvements at TIA consist of replacing escalators, replacing the terminal roof pre-security, and upgrading the building's fire suppression system. Major Airfield Improvements at TIA include the design, reconfiguration and reconstruction of Taxiway Juliet, which includes the realignment of Taxiway Kilo near the terminal apron, and rehabilitating TIA's secondary North/South (18R/36L) runway; including improvements to the runway's safety area.

The Airports staff anticipates that other capital improvements may also occur in the future. The capital improvements referred to above may require the issuance of Additional Bonds. There is no assurance that any such future capital improvements will occur or that the improvements referred to above represent all potential future capital improvements.

**Passenger Facility Charge**

As part of the Budget Reconciliation Act of 1990, commercial airports such as TIA are authorized to collect a passenger facility charge (a "PFC") of either \$1.00, \$2.00, or \$3.00 per enplaned passenger to be used for certain projects to preserve or enhance airport capacity, security or safety; to mitigate the effects of aircraft noise; or to enhance airline competition. On January 24, 2001, Congress enacted the AIR-21 Act which added a PFC rate of \$4.50. According to the Ford Act, operators of large and medium hub airports that choose to collect PFCs of up to \$3.00 per passenger have their FAA entitlements to grants-in-aid reduced by an amount equal to one-half of the projected revenues to be derived from such charges, subject to a cap of 50% of such entitlements. If the PFC per passenger is more than \$3.00 the entitlements are reduced by 75% of the projected revenues from PFCs, subject to 75% cap of such entitlements. At present TIA is classified as a small hub and the preceding reductions do not apply. PFCs are not available to pay debt service on certain long-term debt of the Airport Trustees, including but not limited to the 2018A Bonds. See "AUTHORITY AND SECURITY FOR THE 2018A Bonds – Security for the 2018A Bonds - Rate Covenant and "GROSS REVENUES – Dedicated Revenues."

Passenger Facility Charge applications contain funding for projects that are either completed or are at various stages of completion. Current PFC collections are authorized pursuant to approval of all of the applications. Each individual application is specific to the projects and amounts to be funded by PFCs as well as the level of PFC to be charged. TIA increased the PFC level on December 1, 2010, from \$3.00 to \$4.50. As of June 30, 2017, the Trust has six (6) open PFC applications and is authorized to collect \$171,334,527 of PFC revenue until April 1, 2033.

## **REPORT OF THE AIRPORT CONSULTANT AND RATE COVENANT FORECAST**

The Report of the Airport Consultant (the “Report”) dated October 10, 2018, which has been prepared by LeighFisher (the “Airport Consultant”) in connection with the 2018A Bonds, is included as APPENDIX F. References made herein to the Report of the Airport Consultant are made to the entire Report, which should be read in its entirety, which contains material information, forecasts, findings, assumptions and conclusions concerning the Airports.

The Report presents certain airline traffic and financial forecasts through Fiscal Year 2024 and sets forth the assumptions upon which the forecasts are based. The financial forecasts are based upon certain assumptions that were provided by, or reviewed and agreed to by, Airport management. In the opinion of the Airport Consultant, the assumptions provide a reasonable basis for the forecasts.

The following table, which has been extracted from the Report, shows forecasted Net Revenues Available for Debt Service, Debt Service Requirements on Bonds and Subordinated Indebtedness (of which none is outstanding), and debt service coverage on Bonds and total indebtedness. The forecast indicates compliance with the rate covenant for each Fiscal Year of the forecast period.

**Tulsa Airports Improvement Trust**  
**For Fiscal Years Ending June 30**

**This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by TAIT, As described in the accompanying text. Inevitable, some assumptions used to develop the forecasts will not be realized and unanticipated Events and circumstances could occur. Therefore, the actual results will vary from those forecasts, and the variations could be material.**

|  |           | Budget<br>2019 | Forecast<br>2020 | 2021          | 2022          | 2023          | 2024          |
|--|-----------|----------------|------------------|---------------|---------------|---------------|---------------|
| Rate Covenant Compliance                       |           |                |                  |               |               |               |               |
| Dedicated Revenues (a)                         | [A]       | \$ 4,996,569   | \$ 4,995,687     | \$ 4,994,213  | \$ 4,995,980  | \$ 4,995,722  | \$ 17,343,649 |
| Gross Revenues                                 |           |                |                  |               |               |               |               |
| Aeronautical Revenues                          |           | \$ 13,980,151  | \$ 17,463,512    | \$ 14,857,697 | \$ 17,368,142 | \$ 17,024,228 | \$ 17,362,952 |
| Non-Aeronautical Revenues                      |           | 20,817,161     | 21,326,668       | 21,848,042    | 22,381,649    | 22,927,862    | 23,487,069    |
| Other Revenues (b)                             |           | 3,604,437      | 3,658,159        | 3,712,145     | 3,766,403     | 3,820,938     | 3,875,759     |
| Transfers from Airport Improvement Fund        |           | 9,794,656      | 10,664,379       | 13,191,382    | 11,836,567    | 11,639,952    | 12,636,398    |
| Subtotal Gross Revenues                        | [B]       | \$ 48,196,406  | \$ 53,112,717    | \$ 53,609,266 | \$ 55,352,760 | \$ 55,412,981 | \$ 57,342,874 |
| Total Gross and Dedicated Revenues             | [C]=[A+B] | \$ 53,192,975  | \$ 58,108,404    | \$ 58,603,478 | \$ 60,348,741 | \$ 60,408,703 | \$ 62,340,870 |
| Less:  |           |                |                  |               |               |               |               |
| Debt Service                                   |           | \$ 15,415,684  | \$ 15,420,787    | \$ 15,322,890 | \$ 15,283,662 | \$ 14,950,148 | \$ 13,803,009 |
| Coverage (.25 times Debt Service)              |           | 3,853,921      | 3,855,197        | 3,830,722     | 3,820,915     | 3,737,537     | 3,450,752     |
| Operating Expenses per Bond Indenture          |           | 25,917,912     | 25,642,604       | 26,387,849    | 27,154,218    | 27,942,299    | 28,752,695    |
| Deficiencies in any Fund or Account            |           | -              | -                | -             | -             | -             | -             |
| Rate Covenant Requirement                      | [D]       | \$ 45,187,518  | \$ 44,918,588    | \$ 45,541,461 | \$ 46,258,795 | \$ 46,629,985 | \$ 46,006,457 |
| Amount Exceeding Rate Covenant Requirement (c) | [E]=[C-D] | \$ 8,005,458   | \$ 13,189,816    | \$ 13,062,017 | \$ 14,089,946 | \$ 13,778,718 | \$ 16,334,413 |

(a) Includes PFC revenue which the Trustees have dedicated to pay an amount equal to 1.25 times principal of and/or interest on PFC-eligible Bonds and AIP Entitlement grants for Series 2012A Bonds.

(b) Includes CFC revenues, interest earnings, security reimbursements and other miscellaneous revenues.

(c) Section 7.1(b) of the indenture requires that Dedicated Revenues plus Gross Revenues (including transfers) must equal at least the sum of (i) 1.25 times Debt Service due during the Fiscal Year; (ii) Estimated and budgeted Operating Expenses during Fiscal Year; and (iii) the aggregate of deficiencies in any fund or account held under the Indenture

Source: Tulsa Airports Improvement Trust: Budget; LeighFisher: Forecast dated October 10, 2018 and attached as Appendix F.

## OPERATING AND FINANCIAL STATISTICS

Set forth under this heading are certain operating and financial statistics. See “INFORMATION CONCERNING THE SIGNATORY AIRLINES”.

TIA is served by a diverse group of air carriers including Allegiant Air (“Allegiant”), American, Delta Airlines (“Delta”), Frontier Airlines (“Frontier”), Southwest Airlines (“Southwest”) and United Airlines (“United”), along with their regional affiliates. In Fiscal Year 2017, Southwest Airlines enplaned the largest share of passengers at TIA with 32.96%, followed by American (mainline and regional affiliates) with 30.83%. The market share of the mainline carriers increased, from 63.57% in Fiscal Year 2013 to 72.30% in Fiscal Year 2017, while the market share of the regional affiliates decreased from 27.49% in Fiscal Year 2013 to 25.22% in Fiscal Year 2017. Recent significant changes to air service at TIA include year-round service to Los Angeles and summer seasonal service to Baltimore by Allegiant. Southwest added frequency to Dallas and St. Louis, American added frequency to Charlotte, and Delta upgraded all of their service from TIA to two-class aircraft. Frontier currently provides seasonal service to San Jose, California, Orlando, Washington, DC, San Diego and San Antonio and year-round service to Denver. See “MANAGEMENT DISCUSSION – Discussion of Operations” for additional discussion of air carrier activity at TIA.

The Airport’s passenger base is almost exclusively Origin & Destination (“O&D”) (i.e., passengers beginning or ending their trips at the Airport).

**AIRLINE MARKET SHARES ENPLANED PASSENGERS**  
**Tulsa International Airport**

| Airline                             | 2013             |                | 2014             |               | 2015             |                | 2016             |                | 2017             |                |
|-------------------------------------|------------------|----------------|------------------|---------------|------------------|----------------|------------------|----------------|------------------|----------------|
|                                     | Number           | % of Total     | Number           | % of Total    | Number           | % of Total     | Number           | % of Total     | Number           | % of Total     |
| Allegiant Air                       |                  |                |                  |               | 24,461           | 1.78%          | 42,882           | 3.13%          | 56,979           | 4.13%          |
| American                            | 298,318          | 22.66%         | 302,713          | 22.5%         | 293,645          | 21.37%         | 293,879          | 21.48%         | 336,958          | 24.41%         |
| American Connection / Transtates    |                  |                |                  |               |                  |                |                  |                |                  |                |
| American Connection / Chautauqua    |                  |                |                  |               |                  |                |                  |                |                  |                |
| American Eagle                      | 56,584           | 4.30%          | 57,765           | 4.29%         | 66,678           | 4.85%          | 39,387           | 2.88%          | 19,456           | 1.41%          |
| American/Express Jet                |                  |                |                  |               |                  |                | 22,280           | 1.63%          | 8,190            | 0.59%          |
| American/Sky West                   |                  |                |                  |               |                  |                |                  |                | 2,467            | 0.18%          |
| Compass                             |                  |                |                  |               |                  |                | 1,096            | 0.08%          |                  |                |
| Continental                         | 15,950           | 1.21%          |                  |               |                  |                |                  |                |                  |                |
| Continental Express                 |                  |                |                  |               |                  |                |                  |                |                  |                |
| Continental Express/Chautauqua      |                  |                |                  |               |                  |                |                  |                |                  |                |
| Continental Express/Colgan          | 62               | 0.00%          |                  |               |                  |                |                  |                |                  |                |
| Continental Express/Express Jets    | 86,459           | 6.57%          |                  |               |                  |                |                  |                |                  |                |
| Delta                               | 39,833           | 3.03%          | 54,002           | 4.01%         | 76,875           | 5.60%          | 107,113          | 7.83%          | 100,063          | 7.25%          |
| Delta Connection / ASA/ Express Jet | 79,085           | 6.01%          | 85,536           | 6.36%         | 65,026           | 4.73%          | 40,665           | 2.97%          | 47,812           | 3.46%          |
| Delta Connection / Chautauqua       |                  |                |                  |               |                  |                |                  |                |                  |                |
| Delta Connection / Comair           | 449              | 0.03%          |                  |               |                  |                |                  |                |                  |                |
| Delta Connection / Compass          | 5,289            | 0.40%          | 31               | 0.0%          |                  |                |                  |                | 3,578            | 0.26%          |
| Delta Connection /Mesaba            |                  |                |                  |               |                  |                |                  |                |                  |                |
| Delta /Pinnacle/Endeavor            | 36,710           | 2.79%          | 18,494           | 1.37%         | 16,043           | 1.17%          | 3,879            | 0.28%          | 5,629            | 0.41%          |
| Delta Connection / SkyWest          | 32,019           | 2.43%          | 26,435           | 1.97%         | 30,247           | 2.20%          | 37,421           | 2.73%          | 35,693           | 2.59%          |
| ExpressJets                         |                  |                |                  |               |                  |                |                  |                |                  |                |
| Frontier                            |                  |                | 138              | 0.01%         |                  |                |                  |                |                  |                |
| Mesa dba Envoy                      |                  |                |                  |               | 9,475            | 0.69%          | 15,739           | 1.15%          | 12,582           | 0.91%          |
| Miami Air                           |                  |                |                  |               |                  |                |                  |                | 272              | 0.02%          |
| Southwest                           | 482,179          | 36.62%         | 509,152          | 37.85%        | 482,598          | 35.13%         | 461,705          | 33.74%         | 454,881          | 32.96%         |
| United                              | 16,600           | 1.26%          | 16,923           | 1.26%         | 1,852            | 0.13%          | 44,506           | 3.25%          | 48,970           | 3.55%          |
| United Express / Express Jet        | 97,141           | 7.38%          | 187,785          | 13.96%        | 141,588          | 10.31%         | 96,252           | 7.03%          | 94,854           | 6.87%          |
| United Express / GoJet              | 6,397            | 0.49%          | 22,968           | 1.71%         | 34,903           | 2.54%          | 20,765           | 1.52%          | 21,313           | 1.54%          |
| United Express / Mesa               |                  | 0.00%          |                  |               | 11,881           | 0.86%          | 38,057           | 2.78%          | 17,128           | 1.24%          |
| United Express / SkyWest            | 60,668           | 4.61%          | 44,539           | 3.31%         | 47,799           | 3.48%          | 41,347           | 3.02%          | 33,912           | 2.46%          |
| United Express / Trans State        |                  |                | 5,482            | 0.41%         | 29,799           | 2.17%          | 15,729           | 1.15%          | 10,402           | 0.75%          |
| US Airways                          |                  |                |                  |               | 37,900           | 2.76%          | 42,385           | 3.10%          | 45,931           | 3.33%          |
| Allegiant                           | 275              | 0.02%          | 10,641           | 0.79%         |                  | 0.00%          |                  |                |                  |                |
| Republic Airways                    |                  |                |                  |               | 651              | 0.05%          | 66               | 0.00%          | 20,498           | 1.49%          |
| Sun Country                         | 1068             | 0.08%          | 1,603            | 0.12%         |                  | 0.00%          |                  |                |                  |                |
| Sun Country/MN Airlines             |                  |                |                  |               | 1,479            | 0.11%          | 2,377            | 0.17%          | 1,992            | 0.14%          |
| Other                               | 1,568            | 0.12%          | 1,004            | 0.07%         | 932              | 0.07%          | 770              | 0.06%          | 739              | 0.05%          |
| <b>Totals</b>                       | <b>1,316,654</b> | <b>100.00%</b> | <b>1,345,211</b> | <b>100.0%</b> | <b>1,373,832</b> | <b>100.00%</b> | <b>1,368,300</b> | <b>100.00%</b> | <b>1,380,299</b> | <b>100.00%</b> |

Note: For Fiscal Year ended June 30.

### Summary of Overall Airport Activities

|                             | Fiscal Year Ended June 30, |             |             |             |             |
|-----------------------------|----------------------------|-------------|-------------|-------------|-------------|
|                             | <u>2013</u>                | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
| Enplaned Passengers         | 1,316,654                  | 1,345,211   | 1,373,832   | 1,368,300   | 1,380,299   |
| Air Freight Activity (tons) | 57,121                     | 57,794      | 60,089      | 57,947      | 55,379      |
| Aircraft Operations - TUL   | 104,610                    | 96,117      | 101,441     | 87,598      | 111,640     |
| Aircraft Operations - RVS   | 194,670                    | 123,569     | 181,223     | 179,604     | 195,175     |

### Average Daily Scheduled Flights

|                                   | <u>June 30, 2013</u> |                   | <u>June 30, 2014</u> |                   | <u>June 30, 2015</u> |                   | <u>June 30, 2016</u> |                   | <u>June 30, 2017</u> |                   |
|-----------------------------------|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|----------------------|-------------------|
|                                   | Daily Arrivals &     |                   | Daily Arrivals &     |                   | Daily Arrivals &     |                   | Daily Arrivals &     |                   | Daily Arrivals &     |                   |
|                                   | <u>Departures</u>    | <u>% of Total</u> |
| American Airlines                 | 26                   | 20.00%            | 26                   | 20.60%            | 32                   | 28.30%            | 26                   | 26.00%            | 24                   | 24.20%            |
| Delta Air Lines                   | 24                   | 18.50%            | 22                   | 17.50%            | 17                   | 15.00%            | 16                   | 16.00%            | 17                   | 17.20%            |
| Southwest Airlines                | 36                   | 27.70%            | 34                   | 27.00%            | 25                   | 22.10%            | 25                   | 25.00%            | 27                   | 27.30%            |
| United Airlines                   | 44                   | 33.80%            | 44                   | 34.90%            | 36                   | 31.90%            | 29                   | 29.00%            | 28                   | 28.30%            |
| Allegiant Air                     |                      |                   |                      |                   | 3                    | 2.70%             | 4                    | 4.00%             | 3                    | 3.00%             |
| Total                             | 130                  | 100.0%            | 126                  | 100.0%            | 113                  | 100.0%            | 100                  | 100.0%            | 99                   | 100.00%           |
| Percent Change<br>from Prior Year | -2%                  |                   | -3%                  |                   | -10%                 |                   | -12%                 |                   | -1%                  |                   |

**Airline and Air Cargo Landed Weight  
(in Pounds)**

| Airline / Air Cargo Carrier                | FY 2013              |                | FY 2014              |                | FY 2015              |                | FY 2016              |                | FY 2017              |                |
|--|----------------------|----------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|
|  | Number               | % of Total     |
| Allegiant Air, LLC                         | 0                    | 0.00           | 10,213,178           | 0.49           | 22,489,974           | 1.10           | 42,722,015           | 2.18           | 59,111,065           | 2.93           |
| American                                   | 416,185,500          | 19.76          | 411,061,400          | 19.75          | 409,217,700          | 20.00          | 352,657,500          | 17.97          | 398,264,600          | 19.76          |
| American Eagle                             | 64,931,370           | 3.08           | 64,507,090           | 3.10           | 77,955,746           | 3.81           | 44,145,231           | 2.25           | 20,491,343           | 1.02           |
| American/Express Jet                       | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           | 23,687,292           | 1.21           | 9,626,544            | 0.48           |
| American/Envoy/Mesa                        | 0                    | 0.00           | 0                    | 0.00           | 11,244,000           | 0.55           | 20,633,000           | 1.05           | 14,077,000           | 0.70           |
| American/Sky West                          |                      | 0.00           |                      | 0.00           |                      | 0.00           |                      | 0.00           | 4,002,000            | 0.20           |
| American/US Airways                        | 0                    | 0.00           | 0                    | 0.00           | 48,599,950           | 2.38           | 48,805,000           | 2.49           | 51,906,800           | 2.58           |
| Continental                                | 27,049,100           | 1.28           | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           |
| Continental Express (Colgan)               | 124,000              | 0.01           | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           |
| Continental Express (ExpressJet)           | 41,841,510           | 1.99           | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           |
| Delta                                      | 59,476,900           | 2.82           | 73,986,000           | 3.55           | 102,449,000          | 5.01           | 134,310,600          | 6.84           | 125,777,300          | 6.24           |
| Delta / Compass                            |                      |                |                      |                |                      |                |                      |                | 5,144,223            | 0.26           |
| Delta Connection (ASA) (Express Jet)       | 107,091,200          | 5.08           | 113,907,700          | 5.47           | 84,555,500           | 4.13           | 51,082,900           | 2.60           | 62,842,800           | 3.12           |
| Delta Connection (Chautauqua)              | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           |
| Delta Connection (Comair)                  | 705,000              | 0.03           | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           |
| Delta Connection (Compass)                 | 8,804,188            | 0.42           | 0                    | 0.00           | 0                    | 0.00           | 1,275,143            | 0.06           | 0                    | 0.00           |
| Delta Connection (Express Jet)             | 0                    | 0.00           | 75,177               | 0.00           | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           |
| Delta Connection (Mesaba)                  | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           |
| Delta (Pinnacle) (Endeavor)                | 46,438,800           | 2.20           | 22,292,400           | 1.07           | 20,602,100           | 1.01           | 5,473,100            | 0.28           | 8,082,700            | 0.40           |
| Delta Connection (SkyWest)                 | 42,321,500           | 2.01           | 34,772,000           | 1.67           | 37,035,800           | 1.81           | 45,409,200           | 2.31           | 45,298,500           | 2.25           |
| Frontier                                   | 0                    | 0.00           | 268,964              | 0.01           | 0                    | 0.00           | 0                    | 0.00           | 0                    | 0.00           |
| Southwest                                  | 683,022,000          | 32.42          | 714,524,000          | 34.33          | 595,800,000          | 29.12          | 556,814,000          | 28.37          | 581,014,000          | 28.83          |
| United                                     | 28,435,800           | 1.35           | 25,567,800           | 1.23           | 2,194,500            | 0.11           | 67,996,200           | 3.46           | 76,639,000           | 3.80           |
| United Express / Express Jet               | 163,610,314          | 7.77           | 206,221,236          | 9.91           | 157,643,985          | 7.70           | 100,204,680          | 5.11           | 98,844,210           | 4.90           |
| United Express / GoJet                     | 11,926,000           | 0.57           | 31,557,000           | 1.52           | 42,813,000           | 2.09           | 23,919,000           | 1.22           | 25,929,000           | 1.29           |
| United Express / Mesa                      | 0                    | 0.00           | 0                    | 0.00           | 16,604,000           | 0.81           | 51,456,300           | 2.62           | 22,395,100           | 1.11           |
| United Express / SkyWest                   | 81,521,000           | 3.87           | 56,043,000           | 2.69           | 58,277,700           | 2.85           | 46,724,800           | 2.38           | 37,798,100           | 1.88           |
| United Express / Transtates                | 0                    | 0.00           | 6,041,958            | 0.29           | 32,697,322           | 1.60           | 18,102,600           | 0.92           | 11,683,150           | 0.58           |
| United Express / Republic                  |                      |                |                      |                |                      |                |                      |                | 28,518,630           | 1.42           |
| US Airways Charter                         | 0                    | 0.00           | 0                    | 0.00           | 97,000               | 0.00           | 0                    | 0.00           | 0                    | 0.00           |
| <b>Other Non-Sig Passenger Carrier</b>     | 8,068,946            | 0.38           | 6,547,652            | 0.31           | 7,043,245            | 0.34           | 9,684,730            | 0.49           | 11,179,398           | 0.55           |
| Ameriflight                                | 8,384,946            | 0.40           | 7,846,894            | 0.38           | 7,787,700            | 0.38           | 7,933,046            | 0.40           | 9,021,420            | 0.45           |
| Federal Express                            | 191,249,700          | 9.08           | 182,675,700          | 8.78           | 203,559,400          | 9.95           | 199,551,300          | 10.17          | 187,344,900          | 9.30           |
| Federal Express-Empire                     | 11,075,309           | 0.53           | 11,357,717           | 0.55           | 10,731,504           | 0.52           | 9,746,492            | 0.50           | 11,719,267           | 0.58           |
| <b>Federal Express -Mountain Air Cargo</b> | 36,160               | 0.00           | 1,342,556            | 0.06           | 202,616              | 0.01           | 202,616              | 0.01           | 0                    | 0.00           |
| Martinaire                                 | 4,394,500            | 0.21           | 4,386,000            | 0.21           | 4,479,500            | 0.22           | 4,454,000            | 0.23           | 4,292,500            | 0.21           |
| UPS  | 87,186,360           | 4.14           | 86,183,600           | 4.14           | 89,450,000           | 4.37           | 88,398,720           | 4.50           | 99,767,200           | 4.95           |
| Other Cargo                                | 12,710,804           | 0.60%          | 9,803,055            | 0.47           | 2,635,760            | 0.13           | 7,056,364            | 0.36           | 4,628,798            | 0.23           |
| <b>Totals</b>                              | <b>2,106,590,907</b> | <b>100.00%</b> | <b>2,081,182,077</b> | <b>100.00%</b> | <b>2,046,167,002</b> | <b>100.00%</b> | <b>1,962,445,829</b> | <b>100.00%</b> | <b>2,015,399,548</b> | <b>100.00%</b> |

**Tulsa Airports Improvement Trust**  
**Summary Of Historical Revenues And Expenses And Debt Service Coverage\***  
**(Year Ended June 30)**  
**(Amounts in Thousands)**

|  | for the fiscal year ended June 30, |                  |                  |                  |                  |
|--|------------------------------------|------------------|------------------|------------------|------------------|
|  | 2013                               | 2014             | 2015             | 2016             | 2017             |
| <b>Revenues</b>                              |                                    |                  |                  |                  |                  |
| Landing fees - signatory and nonsignatory    | \$ 6,667                           | \$ 5,686         | \$ 5,096         | \$ 6,966         | \$ 7,498         |
| Passenger airline terminal revenue           | 5,658                              | 5,840            | 5,786            | 5,384            | 5,983            |
| Other aeronautical revenue                   | 4,001                              | 6,015            | 3,460            | 3,492            | 3,576            |
| Nonaeronautical terminal revenue             | 1,776                              | 1,866            | 1,861            | 2,081            | 2,189            |
| Other nonaeronautical operating revenue      | 12,260                             | 13,037           | 13,575           | 13,258           | 13,388           |
| R. L. Jones Airport revenue                  | 979                                | 1,008            | 1,045            | 1,047            | 1,079            |
| Okmulgee                                     |                                    |                  |                  | 77               | 72               |
| <b>Total Revenues</b>                        | <b>\$ 31,341</b>                   | <b>\$ 33,452</b> | <b>\$ 30,823</b> | <b>\$ 32,305</b> | <b>\$ 33,785</b> |
| <b>Non-operating revenues</b>                |                                    |                  |                  |                  |                  |
| Interest available for Debt Service          | \$ 245                             | \$ 379           | \$ 210           | \$ 204           | \$ 248           |
| Customer Facility Charges                    | 3,103                              | 3,181            | 3,341            | 3,318            | 3,126            |
| Other  |                                    | 27               | 40               | 98               | 103              |
| <b>Total gross revenues before transfers</b> | <b>\$ 3,348</b>                    | <b>\$ 3,587</b>  | <b>\$ 3,591</b>  | <b>\$ 3,620</b>  | <b>\$ 3,477</b>  |
| <b>Expenses</b>                              |                                    |                  |                  |                  |                  |
| Personnel Compensation and Benefits          | \$ 9,052                           | \$ 9,610         | \$ 8,848         | \$ 10,737        | \$ 10,445        |
| Service Contracts                            | 8,332                              | 8,577            | 7,201            | 7,330            | 6,947            |
| Materials, Equipment & Supplies              | 1,211                              | 1,100            | 1,193            | 1,082            | 1,277            |
| Utilities & Communications                   | 1,545                              | 1,740            | 1,729            | 1,658            | 1,597            |
| Insurance, Claims & Settlements              | 237                                | 301              | 270              | 325              | 304              |
| Other operating expenses                     | 329                                | 594              | 907              | 752              | 713              |
| Operating capital equipment purchases        | 459                                | 276              | 367              | 478              | 914              |
| <b>Total expenses</b>                        | <b>\$ 21,165</b>                   | <b>\$ 22,198</b> | <b>\$ 20,515</b> | <b>\$ 22,362</b> | <b>\$ 22,197</b> |
| <b>Revenue Subtotal</b>                      | <b>\$ 13,524</b>                   | <b>\$ 14,841</b> | <b>\$ 13,899</b> | <b>\$ 13,563</b> | <b>\$ 15,065</b> |
| <b>Other Revenue</b>                         |                                    |                  |                  |                  |                  |
| Transferred funds and funds available        | \$ 6,442                           | \$ 7,573         | \$ 9,754         | \$ 5,236         | \$ 6,873         |
| PFC Revenue dedicated to debt service        | 7,253                              | 7,275            | 7,203            | 7,204            | 5,706            |
| <b>Total Other Revenue</b>                   | <b>\$ 13,695</b>                   | <b>\$ 14,848</b> | <b>\$ 16,957</b> | <b>\$ 12,440</b> | <b>\$ 12,579</b> |
| <b>Net Revenue Available</b>                 | <b>\$ 27,219</b>                   | <b>\$ 29,689</b> | <b>\$ 30,856</b> | <b>\$ 26,003</b> | <b>\$ 27,644</b> |
| <b>Debt Service</b>                          | <b>\$ 17,007</b>                   | <b>\$ 20,277</b> | <b>\$ 21,958</b> | <b>\$ 18,485</b> | <b>\$ 17,457</b> |
| <b>Debt Service Coverage</b>                 | <b>1.60</b>                        | <b>1.46</b>      | <b>1.41</b>      | <b>1.41</b>      | <b>1.58</b>      |

Source: Tulsa Airports Improvement Trust audit for the respective year unless noted otherwise.

\* Please refer to the sections titled "Security for the 2018A Bonds", "Security for the 2018A Bonds – Rate Covenant", "Gross Revenues" and "Funds Not Gross Revenues" and the "Summary of Certain Provisions of the Indenture – Gross Revenues, Application of Gross Revenues and Covenants as to Rates, Rentals, Fees and Charges" included as Appendix E to this Official Statement for a discussion of the security for the 2018A Bonds, and calculation of the rate covenant by the Airport Trustees. The preceding table includes PFC Revenue dedicated to debt service in the calculation of debt service coverage, as well as the debt service payable by PFC Revenue dedicated to debt service, but PFC Revenue is not available to pay debt service on bonds that were not issued to fund PFC eligible Projects, including but not limited to the 2018A Bonds.

## MANAGEMENT DISCUSSION

### Economic Factors

The City of Tulsa, located in northeastern Oklahoma, is the second largest city in the State. Tulsa is the central city of the Tulsa Metropolitan Statistical Area (the “Tulsa MSA”). The City is approximately 193 square miles in size whereas the Tulsa MSA covers approximately 5,161 square miles. The Tulsa MSA is comprised of seven counties: Okmulgee, Creek, Osage, Pawnee, Rogers, Tulsa and Wagoner counties. In 2017, the aggregate population of the Tulsa MSA was estimated to be 990,706 or 25 percent of the population of the state of Oklahoma.

Tulsa’s major industries are aerospace (including aerospace manufacturing and aviation), health care, energy, machinery and electrical equipment manufacturing, transportation, distribution and logistics. Several clusters, or groups of companies within industries that buy or sell to each other in the manufacture of goods for export from the area, have disproportionately large concentrations of employment relative to the U.S. concentrations and are positioned to grow within the Tulsa MSA.

In the five-year period ending 2017, nearly all sectors in the Tulsa economy showed positive average annual growth. The highest growth occurred in the construction and leisure and hospitality sectors with 3.0% and 2.8% annual average growth, respectively. Tulsa’s target sectors of mining, manufacturing, transportation, business and professional service, and health services (with education) aggregately gained 3,400 jobs, despite 0.3% growth (1,200 jobs) in total employment in 2017.

### Discussion of Operations

Airline activity has increased at TIA as new airlines commenced service and existing carriers added capacity to constrained routes. Passenger enplanements increased 0.88% during Fiscal Year 2017 to 1,380,299. Year over year seat capacity increased 2.9% in Fiscal Year 2018 with the majority of the additional capacity coming from Frontier Airlines providing nonstop service from TIA to five new cities, as well as year-round service to Denver. New to TIA in May of 2018 is Via Air. Via Air provides daily nonstop service on an E-145 to Austin, Texas from TIA. On October 2, 2018, American Airlines Announced daily non-stop service to Los Angeles beginning in April, 2019. American, Delta, and Southwest have also expanded capacity in Fiscal Year 2018. American’s growth is focused on growing the connectivity to their Charlotte hub with capacity up 51% over Fiscal Year 2017. Delta’s overall capacity is up 2.2% year over year with growth primarily focused on their Atlanta and Minneapolis hubs. Southwest’s capacity increased by 2.4%, with the majority of their additional activity attributed to an added departure to Dallas. In Fiscal Year 2018, airlines provided 1,898,180 seats on 17,342 flights from TIA.

### Financial Position

Financial statements for the fiscal year ended June 30, 2017 (Fiscal Year 2017) showed a decline of approximately \$1.3 million in the financial position of TIA over the prior year due to a \$41 million increase in the Net Pension Liability.

Long-term debt of the Airport Trustees, net of the current portion due, decreased from \$165,577 million in Fiscal Year 2016 to \$158,518 million in Fiscal Year 2017. The reduction in outstanding long-term debt reflects the scheduled amortization of outstanding obligations, net of the incurrence of limited additional long-term debt.

Over the next year, Airport Trustees will continue to focus on reducing costs and increasing revenues. Revenue growth will focus on air service development, rental car and public parking facilities, hotel development, airfield hangar development, and development of vacant landside property.

For projections of future Revenues and Expenses, reference is made to “APPENDIX F – REPORT OF LEIGHFISHER AIRPORT CONSULTANT”.

## **Transportation Network Companies and Commercial Ground Transportation Policy**

In August and September 2017, respectively, the Trust entered into Operating Agreements with Lyft, Inc. (“Lyft”) and Raiser, LLC (“Uber”), containing substantially similar terms and conditions, to provide TIA passengers pre-arranged transportation services at TIA. Both Agreements automatically renew for one-year periods. Under the Agreements, Lyft and Uber are required to pay a trip fee of one dollar per pick up at the airport.

In February, 2018, the Airport Trustees approved a Commercial Ground Transportation Policy (“Policy”). Contemporaneously with the approval, the City of Tulsa Ordinances governing TIA were also amended to provide enforcement of the Policy. The Policy implemented a fee schedule for hotel courtesy shuttles, limousines, off airport parking services, and other commercial ground transportation vehicles. The fees and the Policy were implemented to capture: (1) the costs associated with promoting safe and efficient use of limited airport landside traffic capacity in order to meet a public need; (2) the benefit conferred on the various classes of commercial operators due to the development, operation, and maintenance of TIA; (3) the magnitude or frequency of use of TIA facilities by the various categories of operators including but not limited to roadways, parking areas, and the landside and airside facilities at TIA which generates the base of operators’ customers; (4) the costs of general day-to-day maintenance and repair of the roadway, curbing, curb cut-outs, and pedestrian walkway; (5) long-term wear and tear on the roadway; (6) costs of lighting, signage, and roadway striping; (7) the reduction in parking and hotel revenues associated with providing curbside access; and (8) costs associated with managing and policing the congestion and traffic flow on TIA roadways and in courtesy parking areas provided by the Trust. Lyft and Uber are required to follow the non-fee portions of the Commercial Ground Transportation Policy.

### Debt Service Requirements

The debt service requirements for all Outstanding Bonds after the issuance of the 2018A Bonds are set forth below

| FYE          | Outstanding Debt Service |                     |                      | General Airport Revenue Bonds, Series 2018A |                      |                      | Total Debt Service   |
|--------------|--------------------------|---------------------|----------------------|---|----------------------|----------------------|----------------------|
|              | Principal                | Interest            | Total P+I            | Principal                                   | Interest             | Total P+I            |                      |
| 06/30/2019   | \$ 7,935,000             | \$ 7,353,077        | \$ 15,288,077        |   | \$ 538,049           | \$ 538,049           | \$ 15,826,125        |
| 06/30/2020   | 8,345,000                | 6,958,186           | 15,303,186           |   | 954,175              | 954,175              | 16,257,361           |
| 06/30/2021   | 8,660,000                | 6,538,220           | 15,198,220           |   | 954,175              | 954,175              | 16,152,395           |
| 06/30/2022   | 7,765,000                | 6,099,511           | 13,864,511           | \$ 385,000                                  | 954,175              | 1,339,175            | 15,203,686           |
| 06/30/2023   | 7,875,000                | 5,739,987           | 13,614,987           | 405,000                                     | 934,925              | 1,339,925            | 14,954,912           |
| 06/30/2024   | 6,980,000                | 5,373,387           | 12,353,387           | 425,000                                     | 914,675              | 1,339,675            | 13,693,062           |
| 06/30/2025   | 7,410,000                | 5,057,272           | 12,467,272           | 440,000                                     | 897,675              | 1,337,675            | 13,804,947           |
| 06/30/2026   | 7,760,000                | 4,730,827           | 12,490,827           | 455,000                                     | 880,075              | 1,335,075            | 13,825,902           |
| 06/30/2027   | 7,885,000                | 4,385,822           | 12,270,822           | 475,000                                     | 861,875              | 1,336,875            | 13,607,697           |
| 06/30/2028   | 6,815,000                | 4,040,797           | 10,855,797           | 500,000                                     | 842,875              | 1,342,875            | 12,198,672           |
| 06/30/2029   | 5,575,000                | 3,747,617           | 9,322,617            | 520,000                                     | 817,875              | 1,337,875            | 10,660,492           |
| 06/30/2030   | 5,805,000                | 3,510,586           | 9,315,586            | 545,000                                     | 791,875              | 1,336,875            | 10,652,461           |
| 06/30/2031   | 6,050,000                | 3,261,705           | 9,311,705            | 575,000                                     | 764,625              | 1,339,625            | 10,651,330           |
| 06/30/2032   | 6,010,000                | 3,000,166           | 9,010,166            | 605,000                                     | 735,875              | 1,340,875            | 10,351,041           |
| 06/30/2033   | 6,270,000                | 2,740,168           | 9,010,168            | 635,000                                     | 705,625              | 1,340,625            | 10,350,793           |
| 06/30/2034   | 6,550,000                | 2,463,477           | 9,013,477            | 665,000                                     | 673,875              | 1,338,875            | 10,352,352           |
| 06/30/2035   | 6,845,000                | 2,170,712           | 9,015,712            | 690,000                                     | 647,275              | 1,337,275            | 10,352,987           |
| 06/30/2036   | 7,145,000                | 1,864,427           | 9,009,427            | 720,000                                     | 619,675              | 1,339,675            | 10,349,102           |
| 06/30/2037   | 7,465,000                | 1,544,390           | 9,009,390            | 750,000                                     | 590,875              | 1,340,875            | 10,350,265           |
| 06/30/2038   | 2,860,000                | 1,209,631           | 4,069,631            | 780,000                                     | 560,875              | 1,340,875            | 5,410,506            |
| 06/30/2039   | 3,020,000                | 1,056,019           | 4,076,019            | 815,000                                     | 527,175              | 1,342,175            | 5,418,194            |
| 06/30/2040   | 3,180,000                | 893,819             | 4,073,819            | 850,000                                     | 486,425              | 1,336,425            | 5,410,244            |
| 06/30/2041   | 3,345,000                | 722,963             | 4,067,963            | 895,000                                     | 443,925              | 1,338,925            | 5,406,888            |
| 06/30/2042   | 3,535,000                | 543,200             | 4,078,200            | 940,000                                     | 399,175              | 1,339,175            | 5,417,375            |
| 06/30/2043   | 3,720,000                | 353,225             | 4,073,225            | 985,000                                     | 352,175              | 1,337,175            | 5,410,400            |
| 06/30/2044   | 1,505,000                | 153,250             | 1,658,250            | 1,040,000                                   | 302,925              | 1,342,925            | 3,001,175            |
| 06/30/2045   | 1,575,000                | 78,375              | 1,653,375            | 1,095,000                                   | 248,325              | 1,343,325            | 2,996,700            |
| 06/30/2046   |                          |                     |                      | 1,150,000                                   | 190,838              | 1,340,838            | 1,340,838            |
| 06/30/2047   |                          |                     |                      | 1,210,000                                   | 130,463              | 1,340,463            | 1,340,463            |
| 06/30/2048   |                          |                     |                      | 1,275,000                                   | 66,938               | 1,341,938            | 1,341,938            |
| <b>Total</b> | <b>\$157,885,000</b>     | <b>\$85,590,816</b> | <b>\$243,475,816</b> | <b>\$ 19,825,000</b>                        | <b>\$ 18,789,486</b> | <b>\$ 38,614,486</b> | <b>\$282,090,302</b> |

## THE TULSA METROPOLITAN AREA

### Introduction

The City of Tulsa, located in northeastern Oklahoma, is the second largest city in the State. Tulsa is the central city of the Tulsa Metropolitan Statistical Area (the “Tulsa MSA”), formerly the Tulsa Standard Metropolitan Area (the “Tulsa SMSA”). The City is approximately 193 square miles in size whereas the Tulsa MSA covers approximately 5,161 square miles. The Tulsa SMSA included Okmulgee, Creek, Mayes, Osage, Rogers, Tulsa and Wagoner counties. As of June 30, 1983, the U.S. Office of Management and Budget discontinued the term “SMSA”

in favor of the term “MSA.” The Tulsa MSA is now composed of the above counties with the exception of Mayes County. The following data has been compiled on the basis of the Tulsa Air Trade Area, and on the basis of the Tulsa SMSA except where figures for the Tulsa MSA were available. In general, for some of the relevant historical data which follows and for which only the Tulsa SMSA data is available, Mayes County comprised approximately five percent of the Tulsa SMSA’s population and employment.

## Population

The Tulsa MSA has a population of approximately 990,706 in 2017 as determined by the U.S. Bureau of the Census’ Data Services. The following table represents population trends of the Tulsa MSA, the City of Tulsa, the State of Oklahoma, and the United States since 1980.

| <u>Calendar Year</u>                        | <u>Population</u><br><u>(thousand)</u> |                  |                 |                      |
|---|--|------------------|-----------------|----------------------|
|   | <u>City of Tulsa</u>                   | <u>Tulsa MSA</u> | <u>Oklahoma</u> | <u>United States</u> |
| 1980 .....                                  | 361                                    | 696              | 3,025           | 226,546              |
| 1990 .....                                  | 367                                    | 745              | 3,146           | 248,710              |
| 2000 .....                                  | 393                                    | 861              | 3,454           | 282,162              |
| 2001 .....                                  | 392                                    | 868              | 3,465           | 285,040              |
| 2002 .....                                  | 391                                    | 875              | 3,486           | 287,727              |
| 2003 .....                                  | 387                                    | 877              | 3,500           | 290,211              |
| 2004 .....                                  | 382                                    | 878              | 3,517           | 292,892              |
| 2005 .....                                  | 381                                    | 882              | 3,536           | 295,561              |
| 2006 .....                                  | 382                                    | 893              | 3,578           | 298,363              |
| 2007 .....                                  | 384                                    | 906              | 3,617           | 301,290              |
| 2008 .....                                  | 386                                    | 916              | 3,642           | 304,060              |
| 2009 .....                                  | 389                                    | 929              | 3,687           | 307,006              |
| 2010 .....                                  | 392                                    | 940              | 3,760           | 309,338              |
| 2011 .....                                  | 393                                    | 945              | 3,785           | 311,644              |
| 2012 .....                                  | 395                                    | 952              | 3,815           | 313,993              |
| 2013 .....                                  | 398                                    | 962              | 3,850           | 316,235              |
| 2014.....                                   | 400                                    | 969              | 3,875           | 318,623              |
| 2015.....                                   | 403                                    | 980              | 3,904           | 321,040              |
| 2016.....                                   | 403                                    | 987              | 3,921           | 323,406              |
| 2017.....                                   | 403                                    | 991              | 3,931           | 325,719              |
| <b><u>Average annual percent change</u></b> |  |                  |                 |                      |
| 1980-1990 .....                             | 1.66%                                  | 7.04%            | 4.00%           | 9.78%                |
| 1990-2000 .....                             | 7.08%                                  | 15.44%           | 9.69%           | 13.15%               |
| 2000-2010 .....                             | -0.25%                                 | 9.30%            | 8.92%           | 9.92%                |
| 2010-2017 .....                             | 0.25%                                  | 5.60%            | 5.15%           | 3.68%                |

Note: Tulsa MSA includes the counties of Creek, Okmulgee, Osage, Pawnee, Rogers, Tulsa, and Wagoner.

Source: U.S. Census Bureau, Population Estimates Program, Census 2000 and 2010, and 2017 Population Estimates,

[www.census.gov](http://www.census.gov), accessed June 2018.

**CITY OF TULSA (Tulsa MSA)**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**Last Ten Years**  
(amounts expressed in thousands)

| <u>Year</u> | <u>Population</u> | <u>MSA Per<br/>Capita<br/>Personal<br/>Income</u> | <u>Median<br/>Age</u> | <u>Percent of<br/>High School<br/>Graduates</u> | <u>Unemployment Rate</u> |
|-------------|-------------------|---|-----------------------|---|--------------------------|
| 2017        | 990,706           | N/A   | 36.9                  | 88.4%   | 4.9%                     |
| 2016        | 987,201           | \$50,915  | 36.8                  | 88.1%   | 5.0%                     |
| 2015        | 981,005           | \$51,339  | N/A                   | N/A   | 4.2%                     |
| 2014        | 970,107           | \$49,762  | 34.8                  | 86.7%   | 4.5%                     |
| 2013        | 962,944           | \$47,832  | 34.5                  | 86.7%   | 5.3%                     |
| 2012        | 953,210           | \$48,076  | 34.6                  | 86.7%   | 5.4%                     |
| 2011        | 946,118           | \$44,307  | 34.7                  | 86.7%   | 6.2%                     |
| 2010        | 939,978           | \$40,234  | 37.3                  | 86.8%   | 7.3%                     |
| 2009        | 929,438           | \$39,075  | 37.1                  | 86.5%   | 5.3%                     |
| 2008        | 916,341           | \$44,153  | 36.9                  | 86.2%   | 3.6%                     |
| 2007        | 906,033           | \$39,814  | 36.6                  | 86.0%   | 4.1%                     |

Sources: Population - U.S. Department of Commerce, Bureau of the Census  
Per Capita Personal Income - U.S. Bureau of Economic Analysis  
Median Age and High School Graduates – Tulsa Regional Chamber  
Unemployment Rate - Oklahoma Employment Security Commission

**CITY OF TULSA  
PRINCIPAL EMPLOYERS  
CURRENT YEAR**

| <b>Tulsa MSA Major Employers</b>        | <b>2017 Employee Range</b>                   | <b>Product/Service</b>                  |
|---|--|---|
| Saint Francis Healthcare System         | 7,500 to 9,999                               | Health Care                             |
| American Airlines Maintenance Base      | 5,000 to 7,499                               | Aircraft Maintenance                    |
| St. John Health System                  |  | Health Care                             |
| Tulsa Public Schools                    |  | Public Schools                          |
| Wal-Mart/Sam's Club                     |  | Retail                                  |
| Hillcrest Healthcare System             | 3,500 to 4,999                               | Health Care                             |
| Bank of Oklahoma                        | 2,000 to 3,499                               | Banking                                 |
| Broken Arrow Public Schools             |  | Public Schools                          |
| Cherokee Hard Rock Hotel and Casino     |  | Hotel & Casino                          |
| City of Tulsa                           |  | City Government                         |
| QuikTrip                                |  | Convenience Stores                      |
| Reasor's (all Tulsa area locations)     |  | Grocery Stores                          |
| Spirit AeroSystems                      |  | Manufactures aircraft parts & equipment |
| Tulsa Community College                 |  | Community College                       |
| Tulsa County                            |  | County Government                       |
| Aaon                                    |  | 1,000 to 1,999                          |
| AEP/Public Service Company of Oklahoma  | Electric Utility                             |   |
| AT&T (Telephone and wireless employees) | Telecommunications                           |   |
| Baker Hughes (all locations)            | Manufactures Oil Field Machinery & Equipment |   |
| Blue Cross/Blue Shield of Okla.         | Insurance, Customer Service Center           |   |
| DirecTV                                 | Customer Service                             |   |
| IC of Oklahoma LLC                      | Manufactures truck & bus bodies              |   |
| Jenks Public Schools                    | Public Schools                               |   |
| NORDAM Group                            | Aircraft Parts & Auxiliary Equipment         |   |
| ONEOK                                   | Natural Gas Transmission                     |   |
| OSU Medical Center                      | Hospital                                     |   |
| Owasso Public Schools                   | Public Schools                               |   |
| U.S. Postal Services                    | Postal Services                              |   |
| Union Public Schools                    | Public School                                |   |
| University of Tulsa                     | University                                   |   |
| Verizon Business                        | Communication Services                       |   |
| Williams Companies                      | Oil & Gas                                    |   |
| River Spirit Casino                     | 500 to 999                                   | Casino                                  |
| State Farm                              |  | Customer Service                        |

Data Notes:

Sources: Direct Contact with Companies, D&B Million Dollar Database: Global Reach, Reference USA & Tulsa World articles.

*Employer headcount survey includes full-time and regular part-time employees.*

*Total employment for all locations of the company in the Tulsa MSA area.*

## **INFORMATION CONCERNING THE SIGNATORY AIRLINES**

### **Airline Information**

A majority of the airlines serving TIA (or their respective parent corporations) are subject to the information requirements of the Securities Exchange Act of 1934, and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission" or the "SEC"). Certain information, including financial information as of particular dates, concerning the airlines (or their respective parent corporations) is disclosed in certain reports and statements filed with the Commission. Such reports and statements may be inspected and copied at the public reference facilities maintained by the Commission at Securities and Exchange Commission Headquarters, 450 Fifth Street, N.W., Washington, D.C. 20549, or at the eleven regional offices of the Commission located throughout the country. Copies of such material may also be obtained from the Commission at prescribed rates. Written requests for such material should be addressed to the Public Reference Section, Securities and Exchange Commission, 450 Fifth Street, N.W., Washington, D.C. 20549. The public may obtain information about the Public Reference Section by calling the Commission at (202) 942-8088. The Commission maintains a website (at <http://www.sec.gov>) that contains information about the SEC, including the addresses of the regional offices, as well as reports, proxy and information statements and other information regarding reporting companies under the Exchange Act, including the airlines (or their parent corporations). In addition, each airline is required to file periodic reports of financial and operating statistics with the United States Department of Transportation (the "USDOT"). Such reports may be inspected in the Office of Airline Statistics, Research and Special Programs, United States Department of Transportation, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the USDOT at prescribed rates. The information under this caption is for informational purposes only, is not intended to be incorporated by reference into this Official Statement and will not be subject to update by the Airport Trustees. See "CONTINUING DISCLOSURE" herein.

Neither the Airport Trustees nor the Underwriters undertake any responsibility for or make any representation as to the accuracy or completeness of (i) any reports and statements filed with the Commission or the USDOT, or (ii) any material contained on the Commission's websites as described in the preceding paragraph, including, but not limited to, updates of information on the Commission website or links to other internet sites accessed through the Commission's website.

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently with the issuance of the 2018A Bonds, Assured Guaranty Municipal Corp. ("AGM") will issue its Municipal Bond Insurance Policy for the 2018A Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix H to this Official Statement.

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

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

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

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

#### *Current Financial Strength Ratings*

On June 26, 2018, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On May 7, 2018, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On January 23, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

#### *Capitalization of AGM*

At June 30, 2018:

- The policyholders' surplus of AGM was approximately \$2,221 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,166 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,898 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the consolidated net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

### *Incorporation of Certain Documents by Reference*

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (filed by AGL with the SEC on February 23, 2018);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018 (filed by AGL with the SEC on May 4, 2018); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2018 (filed by AGL with the SEC on August 2, 2018).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof “furnished” under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the 2018A Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC’s website at <http://www.sec.gov>, at AGL’s website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL’s website shall be deemed to be part of or incorporated in this Official Statement.

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

### *Miscellaneous Matters*

AGM makes no representation regarding the 2018A Bonds or the advisability of investing in the 2018A Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading “BOND INSURANCE” and “Appendix H – Specimen Municipal Bond Insurance Policy”.

## **BONDHOLDERS’ RISKS**

### **General**

The Airport Trustees’ ability to generate Gross Revenues depends primarily upon sufficient levels of aviation activity and passenger traffic at TIA. The achievement of passenger traffic will depend partly on the profitability of the airline industry, including their ability to access capital and the ability of individual airlines to provide sufficient capacity to meet demand for air travel generally. A weak economy, war, pandemic illness, geophysical event, and the treat of terrorist activity reduce demand. A reduction in passenger traffic would also result in a reduction in PFC revenues. Additionally, reductions in originating and destination passenger travel would

result in lower concessions, parking and rental car revenues. A decrease in aviation activity at TIA would likely result in an increase in landing fees and terminal rentals to offset TIA's cost of providing these services as required by the Airline-Airport Use and Lease Agreements. As landing fees and terminal rentals rise, airlines could elect to discontinue service at TIA. A continued reduction in the number of airlines operating at TIA could have an adverse impact on TIA's competitiveness.

In considering the matters set forth in this Official Statement, prospective purchasers should carefully review all investment considerations set forth throughout this Official Statement, and should specifically consider certain risks associated with the 2018A Bonds. There follows a discussion of some, but not necessarily all, of the possible considerations and risks which should be carefully evaluated by prospective purchasers of the 2018A Bonds prior to purchasing 2018A Bonds. Prospective purchasers should evaluate the risks and merits of an investment in the 2018A Bonds and may wish to confer with their own legal, tax and financial advisors before considering the purchase of the 2018A Bonds.

### **Airline Industry**

**General.** Key factors that affect airline traffic at TIA and the financial condition of the airlines, and therefore, the amount of Net Revenues available for payment of the 2018A Bonds, include local, regional, national and international economic and political considerations; international hostilities; world health concerns; aviation security concerns; airline service and routes; airline fares and competition; airline industry economics, including labor relations and costs; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of TIA and competition from other airports; and business travel substitutes, including teleconferencing, videoconferencing and web-casting.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and local economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events. Other business decisions by airlines, such as the reduction or elimination of service to unprofitable markets, increasing the use of smaller, regional jets and changing hubbing strategies have also affected air traffic at TIA in the past and could have a more pronounced effect in future.

Below we discussed a few of the factors affecting the airline industry including, regional and national economic conditions, costs of aviation fuel, international conflicts and threats of terrorism and structural changes in the travel market.

**Economic Conditions.** Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies. In 2008, the U.S. economy experienced a recession followed by weak growth in the following years, which has strengthened in recent years. The U.S. economy is in the midst of the longest expansion in history, and it is not known how long such growth will continue. There can be no assurances that a recession, weak economic conditions or other national and global fiscal concerns will not have an adverse effect on the air transportation industry in the future.

**Cost of Aviation Fuel.** Airline earnings are significantly affected by changes in the price of aviation fuel. According to the Air Transport Association, fuel, along with labor costs, is one of the largest components of airline operations, and continues to be an important and uncertain determinate of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world (particularly in the oil-producing nations in the Middle East and North Africa), Organization of Petroleum Exporting Countries policy, the rapid growth of economies such as China and India, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather.

**International Conflict and Threat of Terrorism.** The increased threat and occurrence worldwide of terrorism has had, and may continue to have a negative impact on air travel. TIA cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001 and other more recent attacks in the U.S. and around the world, the likelihood of future air transportation disruptions or the impact on TIA or the airlines operating at TIA from such incidents or disruptions.

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

**Uncertainties of the Airline Industry.** The Airport Trustees' ability to derive Gross Revenues from its operation of TIA depends on many factors, many of which are not subject to the Airport Trustees' control. Revenues may be affected by the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Airline-Airport Use and Lease Agreements and Cargo Carrier Use and Lease Agreements, as applicable.

The financial strength and stability of airlines serving TIA are key determinants of future airline traffic. In addition, individual airline decisions regarding level of service at TIA will affect total enplanements. No assurance can be given as to the levels of aviation activity that will be achieved at TIA. There is no assurance that TIA, despite demonstrated level of airline service and operations in the past, will continue to maintain such levels in future.

The continued presence of the airlines serving TIA, and the levels at which that service will be provided, are a function of a variety of factors. Future airline traffic of TIA will be affected by, among other things, the growth or decline in the population of the Tulsa MSA and the overall economy of the service region of TIA as well as by national and international economic conditions, acts of war and terrorism, federal regulatory actions, airline service, air fare levels and the operation of the air traffic control system.

Demands on the national air traffic control system continue to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions affect airline schedules and passenger traffic nationwide. The Federal Aviation Administration is gradually automating and enhancing the computer, radar, and communications equipment of the air traffic control system and assisting in the development of additional airfield capacity through the construction of new runways and the more effective use of existing runways. However, increasing demands on the national air traffic control and airport systems could cause increased delays and restrictions in the future.

### **Effect of Signatory Airline Bankruptcies**

Currently, most of the gates and related facilities at TIA are preferentially leased to the Signatory Airlines pursuant to Airline Use and Lease Agreements. In the event of bankruptcy proceedings involving any Signatory Airline, the debtor or its bankruptcy trustee must determine whether to assume or reject its agreements with the Airport Trustees (a) within 60 days (or later if ordered by the court) with respect to its Use and Lease Agreement or leases of non-residential real property, or (b) prior to the confirmation of a plan or reorganization with respect to any other agreement. However, bankruptcy courts are courts of equity and can, and often do, grant exceptions to these statutory limitations. In the event of assumption and/or assignment of any agreement to a third party, the airline would be required to cure any pre- and post-petition monetary defaults and provide adequate assurance of future performance under the applicable Use and Lease Agreement or other agreements.

Rejection of a Use and Lease Agreement or other agreement by any Signatory Airline that is a debtor in a bankruptcy proceeding would give rise to an unsecured claim of the Airport Trustees against the debtor's estate for damages, the amount of which may be limited by the United States Bankruptcy Code. However, the amounts unpaid as a result of a rejection of a Use and Lease Agreement by a Signatory Airline in bankruptcy would be included in the calculation of the fees and charges of the remaining Signatory Airlines under their Airline Use and Lease Agreements, however, there is no guarantee the other airlines could withstand such required increase. "SUMMARY OF CERTAIN PROVISIONS OF AIRLINE-AIRPORT USE AND LEASE AGREEMENTS" included in Appendix C to this Official Statement.

Whether or not a Use and Lease Agreement is assumed or rejected in a bankruptcy proceeding, it is not possible to predict the subsequent level of utilization of the gates leased under such agreements. Decreased utilization of gates could have a material adverse effect on Airport operations, as well as on Gross Revenues and ultimately on the cost to the airlines of operating at the Airport.

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

### **Regulations and Restrictions Affecting Tulsa International Airport**

The operations of TIA are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the Airline-Airport Use and Lease Agreements, the federal acts authorizing the imposition and collection and use of PFCs and extensive federal legislation and regulations applicable to all airports in the United States. TIA also has been required to implement enhanced security measures mandated by the FAA, Department of Homeland Security and TIA management.

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

**Ability to Collect Passenger Facility Charges.** No Passenger Facility Charges are pledged to the 2018A Bonds. While the 2018A Bonds, and certain outstanding Bonds of the Airport Trustees are not secured by or payable from PFCs, PFCs are used to pay debt service on certain Bonds of the Airport Trustees. A decrease in the collection of PFCs would result in a significant increase in airline cost under the Airline-Airport Use and Lease Agreements. See "BONDHOLDERS' RISKS - General"

The ability of the Airport Trustees to annually collect sufficient PFC Revenues depends upon a number of factors including the operation of TIA, the number of enplanements at TIA, the use of TIA by collecting air carriers, and the efficiency and ability of the collecting air carriers to collect and remit PFCs to the Airport Trustees. The Airport Trustees rely upon the collecting air carriers' collection and remittance of PFCs and both the Airport Trustees and the FAA rely upon the air carriers' reports of enplanements and collections. There can be no assurance as to what passenger traffic and PFC revenues of TIA will be in the future. For a discussion of the possible impact of a decrease in enplaned passengers see "BONDHOLDERS' RISKS – General."

There is no assurance that the PFC federal legislation will not be repealed or amended or that the PFC Regulations or the Airport Trustees' approvals from the FAA will not be amended in a manner that would adversely affect the Airport Trustees' ability to collect and use PFC Revenues in amounts sufficient to make timely payments of all or a portion of the principal and interest on those Bonds secured by Dedicated Revenues.

The FAA may terminate the Airport Trustees' authority to impose PFCs, subject to informal and formal procedural safeguards, if the FAA determines that (i) the Airport Trustees are in violation of certain provisions of the Noise Act (as defined herein) relating to airport noise and acs restrictions, (ii) PFC Revenues are not being used for approved PFC funded projects in accordance with the FAA's approvals or with the federal legislation permitting

PFCs and the PFC Regulations, (iii) implementation of projects financed with PFC Revenues does not commence within the time periods specified in the federal legislation permitting PFCs and the PFC Regulations, or (iv) the Airport Trustees are otherwise in violation of the federal legislation permitting PFCs, the PFC Regulations or the PFC approvals.

The federal legislation permitting PFCs provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. However, the airlines are permitted to commingle PFC collections with other revenues and are also entitled to retain interest earned on PFC collections until such PFC collections are remitted. In the event of a bankruptcy, the federal legislation permitting PFCs, as amended in December 2003, provides that (1) PFCs are and remain trust funds, (2) the airline in bankruptcy may not grant to any third party any security or other interest in PFC revenue, and (3) the airline in bankruptcy must segregate in a separate account PFC revenue equal to its average monthly PFC liability. Despite these enhanced statutory protections, it is unclear whether the Airport Trustees would be able to recover the full amount of PFC trust funds collected or accrued with respect to an airline in the event of a liquidation or cessation of business. The Airport Trustees also cannot predict whether an airline operating at TIA that files for bankruptcy would have properly accounted for PFCs owed to Airport Trustees or whether the bankruptcy estate would have sufficient monies to pay the Airport Trustees in full for PFCs owed by such airline. All airlines operating at TIA are current in the payment of PFCs owed to the Airport Trustees.

See “GROSS REVENUES – Dedicated Revenues” and “DESCRIPTION OF THE AIRPORTS AND PLANNED AIRPORTS IMPROVEMENTS - Passenger Facility Charge”.

### **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 Oklahoma Department of Environmental Quality, not FAA, apply to Airports; compliance with those requirements may impose costs on the Airport from time to time.

### **Natural Disasters**

In the event of a major natural disaster, including, among others, extreme weather events and seismic events, TIA could sustain extensive damage, which could, in a worst case, necessitate the closing of all or a portion of operations for an extended period of time. In addition, a major natural disaster could adversely affect the economy of the Tulsa MSA, which could have a negative impact on passenger traffic and consequently revenues of TIA.

Further, the Airports could sustain damage as a result of other events, such as terrorist attacks, fires and explosions, spills of hazardous substances, strikes, lockouts, sabotage, wars, blockades, riots, etc. While the Airport Trustees have attempted to address the risk of loss through the purchase of insurance, certain of these events may not be covered.

### **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 Airports and could also affect ground operations at the Airports. 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 Airport Trustees can provide no assurance as to the likelihood or potential impact of any such future proposed or enacted regulations.

### **Cybersecurity**

Similar to other large organizations, the Airport Trustees 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 Airports, the airlines that serve TIA and other tenants of the Airports. Despite security measures, information technology and infrastructure of the Airports, any of the airlines serving TIA or any other tenants at the Airports 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 Airports and/or the airlines serving TIA and the services provided at the Airports, thereby adversely affecting the ability of the Airports to generate revenue. The Airport Trustees maintain 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 Airport Trustee'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 TIA.

### **FAA Reauthorization**

The FAA Reauthorization Act expired on September 30, 2018. The United States House of Representatives in April, 2018, and the United States Senate in October, 2018, passed a five-year FAA Reauthorization Act of 2018 that sets annual authority for the AIP at \$3.35 billion each year through 2023, and on October 5, 2018, President Trump signed the bill into law. If such legislation is not renewed in future, and AIP grants are reduced or put on hold, this could create an adverse impact on operations at airports nationwide, including but not limited to TIA.

### **Assumptions in the Report of the Airport Consultant**

The Report of the Airport Consultant incorporates numerous assumptions as to the utilization of the Airport and other matters and states that any projection is subject to uncertainties. Inevitably, some assumptions used to develop the projections will not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary from the projections, and the variations may be material. See "AIRPORT CONSULTANT" and APPENDIX F — "Report of the Airport Consultant".

The Rate Covenant test set forth in the Indenture requires that the Airport Trustees impose and prescribe a schedule of rates, rentals, fees, and charges each year so that TIA will always remain financially self-sufficient and self-sustaining. The rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Gross Revenues at least sufficient (i) to pay as and when the same become due all Operating Expenses; (ii) to pay the principal of and interest and premium, if any, on any Bonds as and when the same become due (whether at maturity or upon redemption prior to maturity or otherwise); (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from the Gross Revenues; and (iv) to carry out all provisions and covenants of the Indenture.

For the purposes of complying with the Rate Covenant, the Indenture requires that Airport Trustees impose, adjust, enforce and collect such rates, rentals, fees and charges to ensure that Dedicated Revenues for such period plus Gross Revenues will equal at least (i) an amount equal to 1.25 times Debt Service due during the Fiscal year; (ii) an amount equal to estimated and budgeted Operating Expenses during the Fiscal Year; and (iii) an amount equal to the aggregate of deficiencies in any fund or account (or so much as is required to be repaid during such Fiscal year) held under the Indenture. Exhibit J of the Report of Airport Consultant demonstrates that the Airport Trustees are forecast to generate Dedicated Revenues plus Gross Revenues to exceed the Rate Covenant test in each year over the forecast period.

## **Bond Insurance Risk Factors**

In the event of default of the payment of principal or interest with respect to the 2018A Bonds when all or some becomes due, any owner of a 2018A Bond shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the 2018A Bonds by the Airport Trustees which is recovered by the Airport Trustees from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy; however, such payments will be made by AGM at such time and in such amounts as would have been due absent such prepayment by the Airport Trustees unless AGM chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of AGM without appropriate consent. AGM may direct and must consent to any remedies, and AGM's consent may be required in connection with amendments to any applicable bond documents. Such provisions relating to AGM's right of consent and direction of remedies have been incorporated into the Twenty-Eighth Supplemental Bond Indenture and made part of the Indenture.

In the event AGM is unable to make payment of principal and interest as such payments become due under the Policy, the 2018A Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event AGM becomes obligated to make payments with respect to the 2018A Bonds, no assurance is given that such event will not adversely affect the market price of the 2018A Bonds or the marketability (liquidity) for the 2018A Bonds.

The long-term ratings on the 2018A Bonds are dependent in part on the financial strength of AGM and its claim paying ability. AGM's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of AGM and of the ratings on the 2018A Bonds insured by AGM will not be subject to downgrade and such event could adversely affect the market price of the 2018A Bonds or the marketability (liquidity) for the 2018A Bonds. See description of "RATINGS" herein.

The obligations of AGM are contractual obligations and in an event of default by AGM, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the Airport Trustees nor the Underwriters have made independent investigation into the claims paying ability of AGM and no assurance or representation regarding the financial strength or projected financial strength of AGM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Airport Trustees to pay principal and interest on the 2018A Bonds and the claims paying ability of AGM, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by AGM and the Policy, which includes further instructions for obtaining current financial information concerning AGM.

## **RATINGS**

Standard & Poor's Ratings Services, a division of McGraw-Hill Companies, Inc. ("S&P") is expected to assign a rating of "AA" to the 2018A Bonds upon delivery of a municipal bond insurance policy issued by Assured Guaranty Municipal Corp. at the time of delivery of the 2018A Bonds, and has assigned an underlying rating to the 2018A Bonds of "A-" with a positive outlook based upon the credit of the Airport Trustees. Moody's Investors Service is expected to assign a rating of "A2" to the 2018A Bonds upon delivery of a municipal bond insurance policy issued by Assured Guaranty Municipal Corp. at the time of delivery of the 2018A Bonds, and has assigned an underlying rating to the 2018A Bonds of "Baa1" with a stable outlook based upon the credit of the Airport Trustees. Such ratings reflect only the views of such organizations at the time such ratings are given, and the Airport Trustees and the Underwriters make no representation as to the appropriateness of such ratings. An explanation of the

significance of such ratings may be obtained only from such rating agencies. The Airport Trustees furnished such ratings agencies with certain information and materials relating to the 2018A Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials furnished to it and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgement of the rating agency originally establishing such rating, circumstances so warrant. None of the Underwriters or the Airport Trustees have undertaken any responsibility to bring to the attention of the owners of the 2018A Bonds any proposed revision or withdrawal of a rating of the 2018A Bonds or to oppose any such proposed revision or withdrawal. Any such revision or withdrawal of such a rating could have an adverse effect on the market price and marketability of the 2018A Bonds.

## **LEGAL MATTERS**

Legal matters incident to the authorization, issuance, sale and delivery of the 2018A Bonds are subject to the approval of Hawkins Delafield & Wood LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Airport Trustees by Conner & Winters, LLP, Tulsa, Oklahoma and for the Underwriters by Hilborne & Weidman, A Professional Corporation, Tulsa, Oklahoma.

## **UNDERWRITING**

The 2018A Bonds are being purchased by the Underwriters identified on the cover page hereof for whom Stifel, Nicolaus & Company, Inc., is acting as Representative (the "Underwriters"), pursuant to a Bond Purchase Agreement with the Trustees. The Underwriters have agreed to purchase the 2018A Bonds from the Airport Trustees subject to the terms of a Bond Purchase Agreement between the Airport Trustees and the Underwriters. The Underwriters have agreed to purchase the 2018A Bonds at a price of \$21,146,912.55 (representing the par amount of the 2018A Bonds, plus net original issue premium of \$1,446,975.05, less the Underwriters' discount of \$125,062.50).

The Bond Purchase Agreement provides that the Underwriters will purchase all the 2018A Bonds if any are purchased and will make a public offering of the 2018A Bonds at the initial public offering prices shown on the inside cover of this Official Statement. The obligation of the Underwriters to pay for the 2018A Bonds is subject to certain terms and conditions set forth in the Bond Purchase Agreement including delivery of certain opinions of counsel.

One of the Underwriters of the 2018A Bonds is BOK Financial Securities, Inc. ("BOKF Securities"). BOKF Securities and BOKF, National Association ("BOKF, NA," which serves as Bond Trustee for the 2018A Bonds) are both wholly-owned subsidiaries of BOK Financial Corporation ("BOKF"), a bank holding company organized under the laws of the State of Oklahoma. Thus, BOKF Securities and BOKF, NA are affiliated, but BOKF Securities is not a bank. Affiliates of BOKF Securities may provide banking services or engage in other transactions with the Airport Trustees. BOKF and BOKF, NA are not responsible for the obligations of BOKF Securities.

The Underwriters and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage services. The Underwriters and their affiliates have, from time to time, performed, and may in the future perform, various financial advisory and investment banking services for the Airport Trustees, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities, which may include credit default swaps) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Airport Trustees.

The Underwriters and their affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

## LITIGATION

There is not now pending or, to the knowledge of the Airport Trustees, threatened any litigation restraining or enjoining the issuance or delivery of the 2018A Bonds or questioning or affecting the validity of the 2018A Bonds, the proceedings and authority under which they are to be issued or the delivery of this Official Statement. There is no litigation pending or, to the knowledge of the Airport Trustees, threatened which in any manner challenges or threatens the creation, organization or existence of the Airport Trustees or the Airport, nor is the title of the present members or officers of the Airport Trustees to their respective offices being contested. Further, there are no legal proceedings pending or, to the knowledge of the Airport Trustees, threatened against the Airport Trustees or affecting the Airports that if determined adversely to the Airport Trustees or the Airports that would have a material adverse effect on the Airport Trustees or the Airports.

## TAX MATTERS

### *Opinion of Bond Counsel*

In the opinion of Hawkins Delafield & Wood LLP, Bond Counsel to the Airport Trustees, under existing statutes and court decisions and assuming continuing compliance with certain tax covenants described herein, (i) interest on the 2018A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except that no opinion is expressed as to such exclusion of interest on any 2018A Bond for any period during which a 2018A Bond is held by a person who, within the meaning of Section 147(a) of the Code, is a “substantial user” of the facilities financed with the proceeds of the 2018A Bonds or a “related person”, and (ii) interest on the 2018A Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals under the Code, and such interest is treated as a preference item in calculating the alternative minimum tax imposed on corporations for taxable years beginning prior to January 1, 2018. In addition, in the opinion of Bond Counsel to the Airport Trustees, under existing statutes, interest on any of the 2018A Bonds is exempt from Oklahoma income taxation.

Bond Counsel expresses no opinion regarding any other federal, state or local tax consequences with respect to the 2018A Bonds or the ownership or disposition thereof, except as stated above. Bond Counsel renders its opinion under existing statutes and court decisions as of the issue date, and assumes no obligation to update, revise or supplement its opinion to reflect any action hereafter taken or not taken, or any fact or circumstance that may hereafter come to its attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. Bond Counsel expresses no opinion on the consequence of any events discussed in the preceding sentence or the likelihood of their occurrence. In addition, Bond Counsel expresses no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state, or local matters, including without limitation, exclusion from gross income of interest for federal tax purposes on the 2018A Bonds.

### *Certain Ongoing Federal Tax Requirements and Covenants*

The Code establishes certain ongoing requirements that must be met subsequent to the issuance and delivery of the 2018A Bonds in order that interest on the 2018A Bonds be and remain excluded from gross income under Section 103 of the Code. These requirements include, but are not limited to, requirements relating to use and expenditure of gross proceeds of the 2018A Bonds, yield and other restrictions on investments of gross proceeds, and the arbitrage rebate requirement that certain excess earnings on gross proceeds be rebated to the federal government. Noncompliance with such requirements may cause interest on the 2018A Bonds to become included in gross income for federal income tax purposes retroactive to their issue date, irrespective of the date on which such noncompliance occurs or is discovered. The Airport Trustees have covenanted to comply with certain applicable requirements of the Code to assure the exclusion of interest on the 2018A Bonds from gross income under section 103 of the Code.

### *Certain Collateral Federal Tax Consequences*

The following is a brief discussion of certain collateral federal income tax matters with respect to the 2018A Bonds. It does not purport to address all aspects of federal taxation that may be relevant to a particular owner of a 2018A Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the 2018A Bonds.

Prospective owners of the 2018A Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is excluded from gross income for federal income tax purposes. Interest on the 2018A Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

#### *Original Issue Discount*

“Original issue discount” (“OID”) is the excess of the sum of all amounts payable at the stated maturity of a 2018A Bond (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates) over the issue price of that maturity. In general the “issue price” of a maturity (a bond with the same maturity date, interest rate, and credit terms), means the first price at which at least 10 percent of such maturity was sold to the public, i.e., a purchaser who is not, directly or indirectly, a signatory to a written contract to participate in the initial sale of the Bonds. In general, the issue price for each maturity of 2018A Bonds is expected to be the initial public offering price set forth on the cover page of the Official Statement. Bond Counsel further is of the opinion that, for any 2018A Bonds having OID (a “Discount Bond”), OID that has accrued and is properly allocable to the owners of the Discount Bonds under section 1288 of the Code is excludable from gross income for federal income tax purposes to the same extent as other interest on the 2018A Bonds.

In general, under section 1288 of the Code, OID on a Discount Bond accrues under a constant yield method, based on periodic compounding of interest over prescribed accrual periods using a compounding rate determined by reference to the yield on that Discount Bond. An owner’s adjusted basis in a Discount Bond is increased by accrued OID for purposes of determining gain or loss on sale, exchange, or other disposition of such Bond. Accrued OID may be taken into account as an increase in the amount of tax-exempt income received or deemed to have been received for purposes of determining various other tax consequences of owning a Discount Bond even though there will not be a corresponding cash payment.

Owners of Discount Bonds should consult their own tax advisors with respect to the treatment of original issue discount for federal income tax purposes, including various special rules relating thereto, and the state and local tax consequences of acquiring, holding, and disposing of Discount Bonds.

#### *Bond Premium*

In general, if an owner acquires a bond for a purchase price (excluding accrued interest) or otherwise at a tax basis that reflects a premium over the sum of all other amounts payable on the bond after the acquisition date (excluding certain “qualified stated interest” that is unconditionally payable at least annually at prescribed rates), that premium constitutes “bond premium” on that bond (a “Premium Bond”). In general, under section 171 of the Code, an owner of a Premium Bond must amortize the bond premium over the remaining term of the Premium Bond, based on the owner’s yield over the remaining term of the Premium Bond determined based on constant yield principles (in certain cases involving a Premium Bond callable prior to its stated maturity date, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on such bond). An owner of a Premium Bond must amortize the bond premium by offsetting the qualified stated interest allocable to each interest accrual period. In the case of a tax-exempt Premium Bond, if the bond premium allocable to an accrual period exceeds the qualified stated interest allocable to that accrual period, the excess is a nondeductible loss. Under certain circumstances, the owner of a Premium Bond may realize a taxable gain upon

disposition of the Premium Bond even though it is sold or redeemed for an amount less than that or equal to the owner's original acquisition cost. Owners of any Premium Bond should consult their own tax advisors regarding the treatment of bond premium for federal income tax purposes, including various special rules relating thereto, and state and local tax consequences, in connection with the acquisition, ownership, amortization or bond premiums on, sale, exchange, or other disposition of Premium Bonds.

#### *Information Reporting and Backup Withholding*

Information reporting requirements apply to interest paid on tax-exempt obligations, including the 2018A Bonds. In general, such requirements are satisfied if the interest recipient completes, and provides the payor with, a form W-9, "Request for Taxpayer Identification Number and Certification," or if the recipient is one of a limited class of exempt recipients. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, the "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient.

If an owner purchasing a 2018A Bond through a brokerage account has executed a Form W-9 in connection with the establishment of such account, as generally can be expected, no backup withholding should occur. In any event, backup withholding does not affect the excludability of the interest on the 2018A Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to backup withholding would be allowed as a refund or a credit against the owner's federal income tax once the required information is furnished to the Internal Revenue Service.

#### *Miscellaneous*

Tax legislation, administrative actions taken by tax authorities, or court decision whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2018A Bonds under federal or state law or otherwise prevent beneficial owners of the 2018A Bonds from realizing the full current benefit of the tax status of such interest. In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the 2018A Bonds.

Prospective purchasers of the 2018A Bonds should consult their own tax advisors regarding the foregoing matters.

### **INDEPENDENT AUDITORS**

The financial statements of the Tulsa Airports Improvement Trust as of June 30, 2017 and for the year then ended, included in Appendix B to this Official Statement, have been audited by RSM US LLP, independent auditors, as stated in their report appearing therein. Such financial statements are the latest available audited financial statements of the Tulsa Airports Improvement Trust.

### **CONTINUING DISCLOSURE**

#### *General*

The Airport Trustees and the Bond Trustee will execute a Continuing Disclosure Agreement on the date of issuance of the 2018A Bonds, the form of which is set forth as Appendix G to this Official Statement, pursuant to which the Airport Trustees will covenant and agree, for the benefit of the holders of the 2018A Bonds, consistent with Rule 15c2-12, to provide: annual financial information and operating data for the Airport Trustees, including audited financial statements of the Airport Trustees for each fiscal year of the Airport Trustees, commencing with their fiscal year ending June 30, 2019; in a timely manner, not in excess of ten Business Days after the occurrence of the event, notices of certain events with respect to the 2018A Bonds, including (i) principal and interest payment delinquencies; (ii) non-payment related defaults, if material; (iii) unscheduled draws on debt service reserves

reflecting financial difficulties; (iv) unscheduled draws on credit enhancements reflecting financial difficulties; (v) substitution of credit or liquidity providers or their failure to perform; (vi) adverse tax opinions or events affecting the State of Oklahoma tax-exempt status of the 2018A Bonds; (vii) modifications to rights of 2018A Bondholders, if material; (viii) bond calls, if material; (ix) defeasances; (x) release, substitutions or sale of property securing repayment of the 2018A Bonds, if material; (xi) ratings changes; (xii) tender offers; (xiii) bankruptcy, insolvency, receivership or similar event of the obligated person; (xiv) the consummation of a merger, consolidation or acquisition involving the Airport Trustees or substantially all of the assets of the Airport Trustees, the entry into a definitive agreement to undertake such action, or the termination of a definitive agreement relating to any such agreement, if material; and (xv) appointment of a successor or additional bond trustee or the change of name of the bond trustee, and notice of any failure of the Airport Trustees to provide required annual financial information referred to above will be filed by or on behalf of the Airport Trustees with the Electronic Municipal Market Access System (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”) and to the Bank. The continuing obligation of the Airport Trustees to provide annual financial information and notices referred to above will terminate when the 2018A Bonds are no longer outstanding. Any failure by the Airport Trustees to comply with the foregoing will not constitute a default with respect to the 2018A Bonds.

If information that no longer can be generated or is no longer relevant because the operations to which it related have been materially changed or discontinued, a statement to that effect will be provided. As a result, the parties to the authorization agreements do not anticipate that it often will be necessary to amend the informational undertakings.

During the past five years, the Airport Trustees failed to make timely filings of event notices relating to (i) a rating change of the Airport Trustees, and (ii) rating changes with respect to certain of its outstanding bonds based on a change in rating of the related bond insurance company (including a ratings upgrade of which the Airport Trustees, to the best of their knowledge, were not informed by the rating agencies). Such event notices and notices of failure to file these event notices have been filed with the MSRB. The Airport Trustees have instituted additional procedures designed to ensure that all such filings be made timely as required by all continuing disclosure undertakings in the future.

The Airport Trustees have engaged FSC Continuing Disclosure Services, a division of Hilltop Securities, Inc., Dallas, Texas as dissemination agent under the Continuing Disclosure Agreement to assist with future compliance in accordance with the terms of the Continuing Disclosure Agreement. See “Appendix G – Form of Continuing Disclosure Agreement”.

## MISCELLANEOUS

The financial data and other information contained herein has been obtained from the Airport Trustees’ records, audited financial statements and other sources which are believed to be reliable.

All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions and are only brief outlines of certain provisions thereof and do not constitute complete statements of such provisions and do not summarize all the pertinent provisions of such statutes, documents and resolutions. For further information, reference should be made to the complete statutes, documents and resolutions, copies of which will be furnished by the Airport Trustees upon request.

The statements contained in this Official Statement, and in other information provided by the Airport Trustees, that are not purely historical, are forward-looking statements, including statements regarding the Airport Trustees’ expectations, hopes, intentions or strategies regarding the future, and whether or not expressly so stated, are intended as such and not representations of fact. All forward-looking statements included in this Official Statement are based on information available to the Airport Trustees on the date hereof, and the Airport Trustees assume no obligation to update any such forward-looking statements.

The forward-looking statements herein are necessarily based on various assumptions and estimates that are inherently subject to numerous risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic,

business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

This Official Statement is not to be construed as a contract or agreement with the purchasers or holders of any of the 2018A Bonds. This Official Statement is submitted only in connection with the offer and sale of the 2018A Bonds and may not be reproduced or used in whole or in part for any other purpose. This Official Statement has been duly authorized and approved by the Airport Trustees.

TRUSTEES OF THE TULSA AIRPORTS  
IMPROVEMENT TRUST

By: /s/ Jeff Stava  
Chair

PROPOSED FORM OF OPINION OF BOND COUNSEL

November 8, 2018

Trustees of the Tulsa Airports  
Improvement Trust  
Tulsa International Airport  
Tulsa, Oklahoma

Ladies and Gentlemen:

**\$19,825,000**  
**TRUSTEES OF THE TULSA**  
**AIRPORTS IMPROVEMENT TRUST**  
**General Airport Revenue Bonds**  
**Series 2018A**  
**(Subject to AMT)**

At your request we have made examinations into the validity of the General Airport Revenue Bonds, consisting of \$19,825,000 of Series 2018A Bonds (the “2018A Bonds”) of the Trustees of the Tulsa Airports Improvement Trust (the “Trustees”), an agency of the State of Oklahoma and the regularly constituted authority of the City of Tulsa, Oklahoma (the “City”).

The 2018A Bonds recite (i) that they are issued under the authority of and pursuant to and in full compliance with the Constitution and statutes of the State of Oklahoma and a Bond Indenture dated as of December 1, 1984, as amended and restated by an Amended and Restated Bond Indenture dated as of November 1, 2009, as previously supplemented and amended (the “Bond Indenture”), and as further supplemented by a Twenty-Eighth Supplemental Bond Indenture, dated as of November 1, 2018 (the “Twenty-Eighth Supplemental Bond Indenture”), each executed by the Trustees and BOKF, NA, as trustee (the “Bank”); (ii) that they are payable solely from and secured solely by the revenues and other moneys of the Trustees pledged to the payment thereof by the Bond Indenture and the Twenty-Eighth Supplemental Bond Indenture which revenues and other moneys so pledged consist of the rates, rentals, fees and charges, and other moneys derived by the Trustees from their leasehold interest in and operation of certain airport properties and facilities, including Tulsa International Airport, specified in the Bond Indenture and the Twenty-Eighth Supplemental Bond Indenture and (iii) that they are equally and ratably secured solely by the moneys and assets in the trust estate assigned, pledged, charged, and confirmed to the Bank in the Bond Indenture and the Twenty-Eighth Supplemental Bond Indenture, including the aforesaid revenues and other moneys.

The 2018A Bonds are dated, bear interest, mature, are subject to redemption and are secured as set forth in the Bond Indenture and Twenty-Eighth Supplemental Bond Indenture.

We have examined (i) the Constitution and statutes of the State of Oklahoma; (ii) the Charter of the City of Tulsa, Oklahoma; (iii) an executed or certified copy of the Amended and Restated Lease dated as of December 23, 2013 (effective January 1, 2014), between the City and the Trustees under which the City has leased to the Trustees certain airport properties and facilities, including Tulsa International Airport, and the income derived therefrom (the “Lease”), and certified or executed copies of the proceedings of the City and the Trustees approving the Lease and authorizing the execution and delivery of the Lease by the City and the Trustees; (iv) an executed or certified copy of the Bond Indenture and the Twenty-Eighth Supplemental Bond Indenture; (v) certified or executed

copies of the proceedings of the Trustees authorizing the issuance of the 2018A Bonds and the execution and delivery by the Trustees of the Bond Indenture and the Twenty-Eighth Supplemental Bond Indenture; and (vi) such other papers, instruments, documents and proceedings as we have deemed necessary or advisable. We have also examined an executed and authenticated 2018A Bond.

In our opinion:

1. The 2018A Bonds have been duly authorized and issued in accordance with the Constitution and statutes of the State of Oklahoma and the Bond Indenture and the Twenty-Eighth Supplemental Bond Indenture and constitute valid, binding and enforceable special obligations of the Trustees, payable solely from and secured solely by the revenues and other moneys of the Trustees pledged to the payment thereof by the Bond Indenture and the Twenty-Eighth Supplemental Bond Indenture.

2. The Bond Indenture and the Twenty-Eighth Supplemental Bond Indenture have been duly authorized, executed and delivered by the Trustees; the provisions of the Bond Indenture and the Twenty-Eighth Supplemental Bond Indenture are valid, binding and enforceable in accordance with their terms; and the holders of the 2018A Bonds are entitled to the security and benefits of the Bond Indenture and the Twenty-Eighth Supplemental Bond Indenture.

3. Assuming compliance by the Trustees with the tax covenants made in the proceedings relating to the issuance of the 2018A Bonds, under existing statutes and court decisions, (i) interest on the 2018A Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except that no opinion is expressed as to such exclusion of interest on any Series 2018A Bond for any period during which the 2018A Bond is held by a person who, within the meaning of Section 147(a) of the Code is a "substantial user" of the facilities financed with the proceeds of the 2018A Bonds or a "related person", (ii) interest on the 2018A Bonds, however, is treated as a preference item in calculating the alternative minimum tax imposed on individuals under the Code, and such interest is treated as a preference item in calculating the alternative minimum tax imposed on corporations for taxable years beginning prior to January 1, 2018. In rendering this opinion we have relied on certain representations, certifications of fact, and statements of reasonable expectations made by the Trustees in the Federal Tax Certificate executed in connection with the 2018A Bonds, and we have assumed compliance by the Trustees with certain ongoing covenants to comply with applicable requirements of the Code to assure the exclusion of interest on the 2018A Bonds from gross income under Section 103 of the Code.

4. The original issue discount on the 2018A Bonds, if any, that has accrued and is properly allocable to the owners thereof is excludable from gross income for federal income tax purposes to the same extent as other interest on such 2018A Bonds.

5. It is also our opinion that under the existing laws of the State of Oklahoma, interest on the 2018A Bonds is exempt from Oklahoma income taxation.

We express no opinion regarding other federal or state or local tax consequences arising with respect to the 2018A Bonds or the ownership or disposition thereof, except as stated in paragraphs 4 and 5 above. We render our opinion under existing statutes and court decisions as of the date hereof, and assume no obligation to update, revise or supplement our opinion to reflect any action hereafter taken or not taken, any fact or circumstance that may hereafter come to our attention, any change in law or interpretation thereof that may hereafter occur, or for any other reason. We express no opinion as to the consequence of any of the events described in the preceding sentence or the likelihood of their occurrence. In addition, we express no opinion on the effect of any action taken or not taken in reliance upon an opinion of other counsel regarding federal, state or local tax matters, including, without limitation, exclusion from gross income for federal income tax purposes of interest on the 2018A Bonds.

It is to be understood that the rights of the holders of the 2018A Bonds under the Bond Indenture and the Twenty-Eighth Supplemental Bond Indenture and under such 2018A Bonds and the enforceability of such rights may be subject to the exercise of judicial discretion, to the sovereign police powers of the State of Oklahoma and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization, moratorium and other laws affecting the relief of debtors.

We express no opinion as to the accuracy or sufficiency of any financial or other information which has been or will be supplied to purchasers of the 2018A Bonds. Our services did not include financial or other non-legal advice.

This opinion letter is rendered solely with regard to the matters expressly opined on above and does not consider or extend to any documents, agreements, representations or other material of any kind not specifically opined on above. No other opinions are intended nor should they be inferred. This opinion letter is issued as of the date hereof, and we assume no obligation to update, revise or supplement this opinion letter to reflect any future actions, facts or circumstances that may hereafter come to our attention, or any changes in law, or in interpretations thereof, that may hereafter occur, or for any reason whatsoever.

Very truly yours,

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**APPENDIX B**

**AUDITED FINANCIAL STATEMENTS OF  
TULSA AIRPORTS IMPROVEMENT TRUST  
AS OF JUNE 30, 2017 AND FOR THE YEAR  
THEN ENDED**

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# **Tulsa Airports Improvement Trust**

**(A Component Unit of the City of Tulsa, Oklahoma)**

## **FINANCIAL REPORT**

**June 30, 2017 and 2016**

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Index**  
**June 30, 2017 and 2016**

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## Independent Auditor's Report

RSM US LLP

Board of Trustees  
Tulsa Airports Improvement Trust

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Tulsa Airports Improvement Trust (TAIT), a component unit of the City of Tulsa, Oklahoma, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise TAIT's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of TAIT, as of June 30, 2017 and 2016, and the respective changes in financial position and 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 and pension 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 financial statements as a whole. The detailed schedules of operating revenue information, listed in the table of contents as supplementary information, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The accompanying other statistical information, as listed in the table of contents, has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

***RSM US LLP***

Kansas City, Missouri  
November 17, 2017

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Management's Discussion and Analysis**  
**June 30, 2017 and 2016**

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As management of the Tulsa Airports Improvement Trust (“TAIT”), we offer readers of TAIT’s financial statements this narrative overview and analysis of the financial activities of TAIT for the fiscal years ended June 30, 2017 and 2016.

Following Management’s Discussion and Analysis are the financial statements of TAIT together with the notes thereto, which are essential to a full understanding of the data contained in the financial statements. We encourage readers to consider the information presented here in conjunction with TAIT’s financial statements.

|   | <u>2017</u>          | <u>2016</u>   | <u>2015</u>   |
|---|----------------------|---------------|---------------|
| Enplaned Passengers                     | <b>1,380,299</b>     | 1,368,300     | 1,373,832     |
| Airfreight (Tons)                       | <b>55,379</b>        | 57,947        | 60,089        |
| Airline/Aircraft Movements (TUL)        | <b>111,640</b>       | 87,598        | 101,441       |
| Aircraft Movements - R.L. Jones Airport | <b>195,175</b>       | 179,604       | 181,223       |
| Landed weights                          | <b>2,015,399,558</b> | 1,962,445,829 | 2,046,167,662 |

**Airport Activities Highlights**

Tulsa Airports Improvement Trust operates Tulsa International Airport (TUL), R.L. Jones, Jr. Airport (RVS), and began managing Okmulgee Regional Airport (OKM) in 2015. As of June 30, 2017 there are five airlines serving Tulsa International Airport, along with several charter carriers, and three freight carriers.

Tulsa’s passenger activity increased in FY17 to 1,380,299 after experiencing a slight decline in FY16. For FY17, Southwest Airlines enplaned the largest share of passengers at Tulsa International Airport with 33 percent of enplanements, followed by American Airlines (mainline and regional affiliates) with 30.8 percent. The market share of mainline carriers increased to 68.2 percent in FY17 from 66.3 percent in FY16, while the market share of regional affiliates decreased to 31.8 percent in FY17 from 33.7 percent in FY16.

Overall airline seat capacity increased by 3.4% in FY17 and is on track to increase again in FY18 by at least 2.5%. Frontier Airlines announced in July their return to the Tulsa market with service to Denver beginning in March 2018 and service to Orlando and San Diego beginning in April 2018. Denver ranks as the second most popular destination for Tulsa travelers, with more than 400 passengers traveling between the cities each day. Orlando and San Diego are also both top destinations with growing passenger demand.

**Tulsa Airports Improvement Trust  
(A Component Unit of the City of Tulsa, Oklahoma)  
Management's Discussion and Analysis  
June 30, 2017 and 2016**

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**Financial Position Summary as of June 30, 2017** (in thousands of dollars)

- The assets and deferred outflows of resources of TAIT exceeded liabilities and deferred inflows of resources at the close of the most recent year by \$270,522.
- Net position decreased \$1,331 from \$271,853 at June 30, 2016 to \$270,522 at June 30, 2017.
- Total liabilities decreased \$11,260 from \$194,439 at June 30, 2016 to \$183,179 at June 30, 2017.
- Cash and cash equivalents decreased \$13,908 from \$30,940 at June 30, 2016 to \$17,032 at June 30, 2017.

**Overview of the Financial Statements**

The Trust is reported by the City of Tulsa, Oklahoma (the City) as a discretely presented component unit in the City's Comprehensive Annual Financial Report. The primary function of TAIT is to operate and maintain the City's two airports and finance capital improvements.

This discussion and analysis is intended to serve as an introduction to TAIT's financial statements. The basic financial statements include: 1) Statements of Net Position, 2) Statements of Revenues, Expenses, and Changes in Net Position, 3) Statements of Cash Flows, and 4) Notes to the Financial Statements.

**Financial Statements**

The Trust's financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America, promulgated by the Governmental Accounting Standards Board ("GASB"). The Trust is structured as a single-purpose business-type activity with revenues recognized when earned and expenses recognized when incurred. The Statement of Net Position includes all of TAIT's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of TAIT is improving or deteriorating. All of TAIT's current year revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. The Statement of Cash Flows provides information about cash receipts, cash payments, and changes in cash resulting from operating, investing, and capital financing activities.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Management's Discussion and Analysis**  
**June 30, 2017 and 2016**

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**Summary of Net Position**

| <i>(in thousands of dollars)</i>      | <u>2017</u>       | <u>2016</u>       | <u>2015</u><br><u>(as restated)</u> |
|---------------------------------------|-------------------|-------------------|-------------------------------------|
| <b>Assets</b>                         |                   |                   |                                     |
| Current and other assets              | \$ 46,086         | \$ 57,226         | \$ 81,812                           |
| Capital assets, net                   | <u>401,342</u>    | <u>399,958</u>    | <u>384,600</u>                      |
| Total assets                          | <u>447,428</u>    | <u>457,184</u>    | <u>466,412</u>                      |
| <b>Deferred outflows of resources</b> | <u>8,117</u>      | <u>11,157</u>     | <u>7,540</u>                        |
| <b>Liabilities</b>                    |                   |                   |                                     |
| Current and other liabilities         | 12,507            | 14,539            | 7,995                               |
| Long-term debt outstanding            | <u>170,672</u>    | <u>179,900</u>    | <u>190,241</u>                      |
| Total liabilities                     | <u>183,179</u>    | <u>194,439</u>    | <u>198,236</u>                      |
| <b>Deferred inflows of resources</b>  | <u>1,844</u>      | <u>2,049</u>      | <u>3,047</u>                        |
| <b>Net position</b>                   |                   |                   |                                     |
| Net investment in capital assets      | 252,778           | 254,788           | 254,247                             |
| Restricted                            | 9,324             | 9,284             | 8,473                               |
| Unrestricted                          | 8,420             | 7,781             | 9,949                               |
| Total net position                    | <u>\$ 270,522</u> | <u>\$ 271,853</u> | <u>\$ 272,669</u>                   |

The largest portion (93 percent) and (94 percent) of TAIT's net position as of June 30, 2017 and 2016, respectively, represent investment in capital assets less related debt outstanding to acquire those capital assets. The Trust uses the capital assets to provide safe, secure, and user-friendly services to its passengers and visitors at its airports. Although TAIT's investment in capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations and specifically identified nonoperating revenues.

**Tulsa Airports Improvement Trust**  
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**Summary of Changes in Net Position**

| <i>(in thousands of dollars)</i>                | <b>2017</b>       | <b>2016</b> | <b>2015</b><br><i>(as restated)</i> |
|---|-------------------|-------------|-------------------------------------|
| Operating revenues                              | \$ 33,785         | \$ 32,305   | \$ 30,823                           |
| Nonoperating revenues, including capital grants | <b>13,652</b>     | 13,224      | 14,150                              |
| Total revenues                                  | <b>47,437</b>     | 45,529      | 44,973                              |
| Operating expenses                              | <b>38,605</b>     | 36,257      | 38,340                              |
| Nonoperating expenses                           | <b>10,163</b>     | 10,088      | 12,815                              |
| Total expenses                                  | <b>48,768</b>     | 46,345      | 51,155                              |
| (Decrease) in net position                      | <b>\$ (1,331)</b> | \$ (816)    | \$ (6,182)                          |

- FY17 operating revenues, which consist primarily of rents and services fees, increased 4.6 percent due in part to timing differences in the Airline Reconciliation and Revenue Sharing calculations for FY16 which were recorded in FY17 and an overall increase in rates, fees, and charges. FY16 operating revenues increased 4.8 percent due to timing differences in the Airline Reconciliation and Revenue Sharing calculations for FY15 which were recorded in FY16.
- Nonoperating revenues increased 3.2 percent in FY17 due to changes in the level of federal and state grant receipts. The decrease of 6.5 percent in FY16 was due to changes in the level of federal grant receipts and reductions in other contributions.
- Operating expenses increased \$2,348 for FY17 due to increased depreciation expense as capital projects were completed and closed. Operating expenses decreased \$2,083 for FY16 due to an approximate \$4 million dollar decrease in depreciation expense which was offset by an increase of approximately \$2 million of various market-based and budgeted salary increases, and a lower than expected attrition rate.
- Nonoperating expenses remained consistent for FY17. Nonoperating expenses decreased 21.3 percent for FY16 primarily because there were no litigation expenses or bond issuance costs. Interest expense also decreased as a result of the bond refinancing activities of 2015.

**Tulsa Airports Improvement Trust**  
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**Summary of Cash Flow Activities**

The following shows a summary of the major sources and uses of cash and cash equivalents. Cash equivalents are defined as cash and highly liquid investments with an original maturity of three months or less.

*(in thousands of dollars)*

|  | <u>2017</u>             | <u>2016</u>             | <u>2015</u>             |
|--|-------------------------|-------------------------|-------------------------|
| <b>Cash flows</b>  |                         |                         |                         |
| Provided by operating activities                               | \$ 11,399               | \$ 10,185               | \$ 11,002               |
| Provided by non-capital and related financing activities       | 7                       | 23                      | (855)                   |
| Provided by (used in) capital and related financing activities | (23,927)                | (35,234)                | (6,477)                 |
| Provided by investing activities                               | <u>(1,387)</u>          | <u>509</u>              | <u>69</u>               |
| Net increase (decrease) in cash and cash equivalents           | <b>(13,908)</b>         | <b>(24,517)</b>         | <b>3,739</b>            |
| <b>Cash and cash equivalents</b>                               |                         |                         |                         |
| Beginning of year  | <u>30,940</u>           | <u>55,457</u>           | <u>51,718</u>           |
| End of year  | <u><b>\$ 17,032</b></u> | <u><b>\$ 30,940</b></u> | <u><b>\$ 55,457</b></u> |

**Capital Assets** (in thousands of dollars)

The Trust's investment in capital assets amounted to \$401,342 (net of accumulated depreciation). The Trust paid \$19,954 and \$28,806 related to the acquisition and construction of capital assets for the years ended June 30, 2017 and 2016, respectively.

*(in thousands of dollars)*

|                                | <u>2017</u>              | <u>2016</u>              | <u>2015</u>              |
|--------------------------------|--------------------------|--------------------------|--------------------------|
| Land and improvements          | \$ 348,705               | \$ 343,811               | \$ 318,925               |
| Easements                      | 70,838                   | 70,838                   | 70,838                   |
| Buildings                      | 267,122                  | 234,870                  | 208,671                  |
| Art                            | 275                      | 291                      | 291                      |
| Equipment                      | <u>21,088</u>            | <u>18,924</u>            | <u>19,103</u>            |
|                                | <b>708,028</b>           | <b>668,734</b>           | <b>617,828</b>           |
| Less: Accumulated depreciation | <b>(312,352)</b>         | <b>(314,025)</b>         | <b>(302,743)</b>         |
| Construction-in-progress       | <u>5,666</u>             | <u>45,249</u>            | <u>69,515</u>            |
| Capital assets, net            | <u><b>\$ 401,342</b></u> | <u><b>\$ 399,958</b></u> | <u><b>\$ 384,600</b></u> |

**Tulsa Airports Improvement Trust  
(A Component Unit of the City of Tulsa, Oklahoma)  
Management's Discussion and Analysis  
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**Long-Term Debt** (in thousands of dollars)

At June 30, 2017, TAIT had outstanding long-term portion of general revenue bonds of \$158,518. The bonds are collateralized by and payable from the revenues of TAIT. The bonds mature per a set schedule with the last maturity occurring on June 1, 2045.

|               | (in thousands of dollars) |                   |                   |
|---------------|---------------------------|-------------------|-------------------|
|               | 2017                      | 2016              | 2015              |
| Revenue bonds | <u>\$ 158,518</u>         | <u>\$ 165,577</u> | <u>\$ 173,789</u> |

The Trust's long-term debt decreased by \$7,059 in FY17 and by \$8,212 in FY16 due to scheduled payments of principal.

**Signatory Airline Rates and Charges**

Under the Use and Lease Agreements between the airlines and TAIT, the airlines have agreed to pay rates, fees and charges determined prior to the beginning of each fiscal year in an amount sufficient (a) to pay 125 percent of the debt service on bonds secured by the bond indenture; (b) to pay operating expense for the next succeeding fiscal year; (c) to provide for any deficiencies in the funds or accounts held under the bond indenture. The current Use and Lease Agreement is for a five year term, which expires June 30, 2018.

Signatory Airline Terminal rental rates for FY17, FY16 and FY15 ranged from \$21.22 to \$88.47 per square foot. Signatory landing fees were \$3.41, \$3.04, and \$2.87 per 1000 lbs for FY17, FY16 and FY15, respectively.

**Tulsa Airports Improvement Trust  
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**Economic Factors**

The Tulsa Metropolitan Statistical Area (MSA) comprises seven counties: Creek, Okmulgee, Osage, Pawnee, Rogers, Tulsa and Wagoner, whose aggregate population is approximately 987,000 or 25 percent of the population of the state of Oklahoma. The gross product or value of all goods and services produced in the seven county MSA is estimated to be \$52.1 billion (2009 dollars), or 30.7 percent of the Oklahoma economy.

Tulsa's major industries are aerospace, including aerospace manufacturing and aviation; health care; energy; machinery and electrical equipment manufacturing; transportation, distribution and logistics. Several clusters, or groups of companies within industries that buy or sell to each other in the manufacture of goods for export from the area, have disproportionately large concentrations of employment relative to the U.S. concentrations and are positioned to grow within the Tulsa MSA.

In 2016, Tulsa-area employment declined 0.2 percent, only half the decline the state of Oklahoma experienced, while U.S. employment grew 1.8 percent. Tulsa real gross product grew 0.9 percent while Oklahoma and the U.S. grew at 1.3 percent and 1.6 percent, respectively.

Because Tulsa's cost of doing business is 11 percent under the U.S. average due to low rent, energy costs and taxes, Tulsa is well positioned to become a prime location for industry prospects looking to relocate or expand.

**Contacting TAIT's Financial Management**

Questions about this report or requests for additional financial information can be directed to the Deputy Airports Director, Finance and Administration, 7777 E. Apache St., Room A217, Tulsa, OK 74115.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Statements of Net Position**  
**June 30, 2017 and 2016**

(in thousands of dollars)

|   | <u>2017</u>       | <u>2016</u>       |
|---|-------------------|-------------------|
| <b>Assets</b>                                       |                   |                   |
| <b>Current assets</b>                               |                   |                   |
| Cash and cash equivalents                           | \$ 13,007         | \$ 14,783         |
| Cash and cash equivalents - restricted              | 907               | 2,016             |
| Investments - restricted                            | 1,421             | 200               |
| Receivables   |                   |                   |
| Trade, less allowance for doubtful accounts of \$20 | 1,552             | 1,501             |
| Intergovernmental receivable                        | 1,362             | 253               |
| Customer facility charges receivable                | 288               | 274               |
| Inventory   | 1,488             | 1,480             |
| Other current assets                                | 467               | 415               |
| Total current assets                                | <u>20,492</u>     | <u>20,922</u>     |
| <b>Noncurrent assets</b>                            |                   |                   |
| Cash and cash equivalents - restricted              | 3,118             | 14,141            |
| Investments   | 3,572             | 2,355             |
| Investments - restricted                            | 17,580            | 18,579            |
| Passenger facility charges receivable - restricted  | 777               | 681               |
| Accrued interest receivable - restricted            | 6                 | 6                 |
| Capital assets not being depreciated                | 149,352           | 188,951           |
| Capital assets, net of accumulated depreciation     | 251,990           | 211,007           |
| Advance to primary government                       | 127               | 127               |
| Other   | 414               | 415               |
| Total noncurrent assets                             | <u>426,936</u>    | <u>436,262</u>    |
| Total assets  | <u>\$ 447,428</u> | <u>\$ 457,184</u> |
| <b>Deferred Outflows of Resources</b>               |                   |                   |
| Deferred charges on refunding                       | \$ 5,672          | \$ 6,309          |
| Pension related amounts                             | 2,445             | 4,848             |
| Total deferred outflows of resources                | <u>\$ 8,117</u>   | <u>\$ 11,157</u>  |

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

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Statements of Net Position, continued**  
**June 30, 2017 and 2016**

(in thousands of dollars)

|   | <u>2017</u>       | <u>2016</u>       |
|---|-------------------|-------------------|
| <b>Liabilities</b>  |                   |                   |
| <b>Current liabilities</b>                                    |                   |                   |
| Accounts payable  | \$ 1,489          | \$ 1,540          |
| Current portion of compensated absences                       | 167               | 122               |
| Other accrued expenses  | 158               | 158               |
| Unearned revenue  | 488               | 477               |
| Current portion of bonds                                      | 7,661             | 7,820             |
| Liabilities payable from restricted assets:                   |                   |                   |
| Accounts payable  | 1,730             | 3,578             |
| Customer deposits   | 38                | 40                |
| Accrued interest payable                                      | 776               | 804               |
| Total current liabilities                                     | <u>12,507</u>     | <u>14,539</u>     |
| <b>Noncurrent liabilities</b>                                 |                   |                   |
| Compensated absences  | 829               | 924               |
| Other accrued expenses  | 387               | 559               |
| Net pension liability   | 10,938            | 12,840            |
| Bonds payable, net  | 158,518           | 165,577           |
| Total noncurrent liabilities                                  | <u>170,672</u>    | <u>179,900</u>    |
| Total liabilities   | <u>183,179</u>    | <u>194,439</u>    |
| <b>Deferred inflows of resources, pension related amounts</b> | <u>1,844</u>      | <u>2,049</u>      |
| <b>Net position</b>   |                   |                   |
| Net investment in capital assets                              | 252,778           | 254,788           |
| Restricted for  |                   |                   |
| Restricted by bond indenture for operations                   | 6,360             | 5,945             |
| Debt service  | 801               | 667               |
| Capital projects  | 1,987             | 2,513             |
| Other purposes  | 176               | 159               |
| Total restricted net position                                 | <u>9,324</u>      | <u>9,284</u>      |
| Unrestricted  | 8,420             | 7,781             |
| Total net position  | <u>\$ 270,522</u> | <u>\$ 271,853</u> |

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

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**Years Ended June 30, 2017 and 2016**

| <i>(in thousands of dollars)</i>  | <u>2017</u>       | <u>2016</u>       |
|---|-------------------|-------------------|
| <b>Operating revenue</b>  |                   |                   |
| <b>Aeronautical operating revenues</b>                                  |                   |                   |
| Landing fees - signatory and non-signatory                              | \$ 7,498          | \$ 6,966          |
| Passenger airline terminal revenue - signatory and non-signatory        | 5,983             | 5,384             |
| Other aeronautical revenue  | 3,576             | 3,492             |
| Total aeronautical revenue  | <u>17,057</u>     | <u>15,842</u>     |
| <b>Non-aeronautical operating revenue</b>                               |                   |                   |
| Terminal revenues   | 2,189             | 2,081             |
| Rental car revenues   | 4,520             | 4,688             |
| Parking revenues  | 8,111             | 7,882             |
| Other non-aeronautical operating revenue                                | 757               | 688               |
| Total non-aeronautical operating revenue                                | <u>15,577</u>     | <u>15,339</u>     |
| Revenue from R. L. Jones, Jr. Airport                                   | 1,079             | 1,047             |
| Revenue from Okmulgee Airport   | 72                | 77                |
| Total operating revenues  | <u>33,785</u>     | <u>32,305</u>     |
| <b>Operating expenses</b>   |                   |                   |
| Personnel compensation and benefits                                     | 10,692            | 11,039            |
| Service contracts   | 7,670             | 7,330             |
| Materials, equipment & supplies   | 1,279             | 1,082             |
| Utilities and communications  | 1,597             | 1,658             |
| Insurance, claims   | 304               | 325               |
| Other   | 766               | 752               |
| Total operating expenses, excluding depreciation                        | <u>22,308</u>     | <u>22,186</u>     |
| Net operating income before depreciation                                | 11,477            | 10,119            |
| Depreciation  | 16,297            | 14,071            |
| Net operating (loss)  | <u>(4,820)</u>    | <u>(3,952)</u>    |
| <b>Nonoperating revenues (expenses)</b>                                 |                   |                   |
| Investment income and change in fair value of investments               | 52                | 506               |
| Interest expense  | (9,501)           | (9,692)           |
| Amortization of bond discount/premium and deferred charges on refunding | (237)             | (244)             |
| Debt issuance costs   | (102)             | -                 |
| Passenger facility charges  | 5,298             | 5,303             |
| Customer facility charges   | 3,126             | 3,318             |
| Noncapital federal grants   | 2                 | 1                 |
| Other, net  | (323)             | (152)             |
| Net nonoperating revenues (expenses)                                    | <u>(1,685)</u>    | <u>(960)</u>      |
| <b>Capital contributions and grants</b>                                 |                   |                   |
| Federal grants  | 5,117             | 4,081             |
| State grants  | 57                | -                 |
| Other contributions   | -                 | 15                |
| Total capital contributions and grants                                  | <u>5,174</u>      | <u>4,096</u>      |
| <b>(Decrease) in net position</b>                                       | (1,331)           | (816)             |
| <b>Net position, beginning of year</b>                                  | 271,853           | 272,669           |
| <b>Net position, end of year</b>  | <u>\$ 270,522</u> | <u>\$ 271,853</u> |

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

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Statements of Cash Flows**  
**Years Ended June 30, 2017 and 2016**

| <i>(in thousands of dollars)</i>                                    | <u>2017</u>      | <u>2016</u>      |
|---|------------------|------------------|
| <b>Cash flows from operating activities</b>                         |                  |                  |
| Cash received from customers, including cash deposits               | \$ 33,745        | \$ 32,746        |
| Cash payments to suppliers for goods and services                   | (11,856)         | (11,884)         |
| Cash payments to employees for services                             | (10,490)         | (10,677)         |
| Net cash provided by operating activities                           | <u>11,399</u>    | <u>10,185</u>    |
| <b>Cash flows from non-capital and related financing activities</b> |                  |                  |
| Proceeds from non-capital grants, donations and reimbursements      | <u>7</u>         | <u>23</u>        |
| Net cash provided by non-capital and related financing activities   | <u>7</u>         | <u>23</u>        |
| <b>Cash flows from capital and related financing activities</b>     |                  |                  |
| Construction and purchase of capital assets                         | (19,954)         | (28,806)         |
| Interest paid on long-term debt                                     | (9,528)          | (9,722)          |
| Passenger facility charges received                                 | 5,202            | 5,309            |
| Customer facility charges received                                  | 3,112            | 3,339            |
| Proceeds from issuance of long-term debt                            | 1,048            | -                |
| Principal paid on long-term debt                                    | (7,866)          | (9,425)          |
| Debt issuance costs   | (102)            | -                |
| Proceeds from sale of capital assets                                | 97               | 78               |
| Proceeds from federal capital grants                                | 4,064            | 3,978            |
| Other contributions   | -                | 15               |
| Net cash (used in) capital and related financing activities         | <u>(23,927)</u>  | <u>(35,234)</u>  |
| <b>Cash flows from investing activities</b>                         |                  |                  |
| Purchase of investments   | (14,085)         | (20,100)         |
| Proceeds from sale or maturity of investments                       | 12,363           | 20,330           |
| Interest received on investments                                    | 335              | 279              |
| Net cash provided by (used in) investing activities                 | <u>(1,387)</u>   | <u>509</u>       |
| Net (decrease) in cash and cash equivalents                         | (13,908)         | (24,517)         |
| <b>Cash and cash equivalents</b>                                    |                  |                  |
| Beginning of year   | <u>30,940</u>    | <u>55,457</u>    |
| End of year   | <u>\$ 17,032</u> | <u>\$ 30,940</u> |

*(continued)*

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

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Statements of Cash Flows, continued**  
**Years Ended June 30, 2017 and 2016**

*(in thousands of dollars)*

|   | <u>2017</u>       | <u>2016</u>      |
|---|-------------------|------------------|
| <b>Reconciliation of Cash and Cash Equivalents to the Statements of Net Position</b>        |                   |                  |
| Current unrestricted cash and cash equivalents  | \$ 13,007         | \$ 14,783        |
| Current restricted cash and cash equivalents  | 907               | 2,016            |
| Noncurrent restricted cash and cash equivalents   | <u>3,118</u>      | <u>14,141</u>    |
| Total cash and cash equivalents   | <u>\$ 17,032</u>  | <u>\$ 30,940</u> |
| <b>Reconciliation of operating loss to net cash provided by operating activities</b>        |                   |                  |
| Operating loss  | \$ (4,820)        | \$ (3,952)       |
| Adjustments to reconcile operating activities to net cash provided by operating activities: |                   |                  |
| Depreciation  | 16,297            | 14,071           |
| Changes in operating assets and liabilities:  |                   |                  |
| (Increase) decrease in accounts receivable, trade   | (51)              | 419              |
| (Increase) in inventory   | (8)               | (92)             |
| (Increase) in other current assets  | (44)              | (184)            |
| Decrease in other assets  | 1                 | -                |
| Increase in unearned revenue  | 11                | 22               |
| (Decrease) in accounts payable and accrued liabilities                                      | (284)             | (401)            |
| Change in pension-related amounts   | 297               | 302              |
| Net cash provided by operating activities   | <u>\$ 11,399</u>  | <u>\$ 10,185</u> |
| <b>Noncash capital and investing activities:</b>  |                   |                  |
| Capital asset acquisitions included in accounts payable                                     | <u>\$ (1,848)</u> | <u>\$ 875</u>    |
| (Appreciation) depreciation of fair value of investments                                    | <u>\$ (283)</u>   | <u>\$ 224</u>    |

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

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars)**  
**June 30, 2017 and 2016**

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1. **NATURE OF BUSINESS, REPORTING ENTITY, AND SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF BUSINESS** - The Tulsa Airports Improvement Trust (the "Trust") was organized in 1967 as a public trust with the City of Tulsa (the "City") as its sole beneficiary. The Trust's purpose is to operate, maintain, construct, improve and/or lease airport facilities serving the City and to incur indebtedness as may be necessary to provide such facilities. Any indebtedness is payable solely from revenues of TAIT, as it has no authority to levy taxes. All revenues generated by the Airports must be used for airport purposes.

Effective January 1, 2014, the City of Tulsa and the Tulsa Airports Improvement Trust entered into an Amended and Restated Lease Agreement for the land encompassing Tulsa International Airport and R.L. Jones Jr. Airport. The lease agreement shall end on December 31, 2023, or on such later date on which all Bonds of the Trustees issued in connection with the Airports have been paid or provision for the payment thereof has been made. The Trust shall have the option to extend the terms for up to four periods of ten years each.

The accompanying financial statements include the accounts and activity of TAIT and the Tulsa Airport Authority (TAA). All amounts in the notes to the financial statements, unless otherwise indicated, are expressed in thousands of dollars.

**BASIS OF ACCOUNTING AND PRESENTATION**- The financial statements of TAIT are prepared in accordance with generally accepted accounting principles ("GAAP") as applied to business-type activities of governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting.

The financial statements of TAIT have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities and deferred inflows/outflows from exchange and exchange-like transactions are recognized when the exchange transaction takes place. Voluntary nonexchange transactions are recognized when all applicable eligibility requirements are met. Operating revenues and expenses include exchange transactions. Investment income and voluntary nonexchange transactions are included in nonoperating revenues and expenses.

**REPORTING ENTITY** – The Trust and TAA trustees are appointed by the Mayor and approved by City Council. The Trust is a component unit of the City and is included in the City's comprehensive annual report as a discretely presented component unit.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

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1. **NATURE OF BUSINESS, REPORTING ENTITY, AND SIGNIFICANT ACCOUNTING POLICIES**, continued

**CASH AND CASH EQUIVALENTS** – The Trust considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

**INVESTMENTS** - Investments consist of obligations of the U.S. Treasury and various federal agencies and instrumentalities, certificates of deposit and money market funds. These investments are held by bond trustees (with the exception of the certificates of deposit) and invested in accordance with the requirements and terms of various bond indentures. Investments in the U.S. Treasury and federal agencies are recorded at fair value. Investments in certificates of deposit and money market funds are recorded at amortized cost. The Trust experienced a decrease in the fair value of investments of approximately \$280 and an increase of approximately \$242 for the years ended June 30, 2017 and June 30, 2016, respectively.

**FAIR VALUE MEASUREMENTS** – Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of a fair value measurement in both cases is the same—that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between the market and participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The Trust categorizes its assets and liabilities measured at fair value within the hierarchy established by generally accepted accounting principles. Assets and liabilities valued at fair value are categorized based on inputs to valuation techniques as follows:

Level 1 input – Quoted prices for identical assets or liabilities in an active market that an entity has the ability to access.

Level 2 input – Quoted prices for similar assets or liabilities in active markets and inputs that are observable for the assets or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 input – Inputs that are unobservable for the asset or liability which are typically based upon the Authority’s own assumptions as there is little, if any, related activity.

**Hierarchy** – The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

**Inputs** – If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

**Tulsa Airports Improvement Trust**  
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**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

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1. **NATURE OF BUSINESS, REPORTING ENTITY, AND SIGNIFICANT ACCOUNTING POLICIES**, continued

**INVENTORIES** - Inventories consist principally of consumable supplies and replacement parts for fixtures and equipment. Inventories are stated at the lower of cost (first-in, first-out) or market.

**RESTRICTED ASSETS** – Certain cash, cash equivalents and investments of TAIT are restricted under the terms of its bond indentures. Other assets are restricted by TAIT’s collection of passenger facility charges.

**CAPITAL ASSETS** - Capital assets are carried at cost and are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 20 to 50 years for buildings, 5 to 20 years for roads, ramps, and runways, 3 to 20 years for equipment, and 1 to 20 years for leasehold improvements. When assets are retired or otherwise disposed, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in nonoperating revenues and expenses. Costs of maintenance and repairs are charged to expense as incurred; significant renewals and betterments are capitalized. Interest incurred during construction periods is capitalized and included in the cost of capital assets. Interest capitalized was \$146 and \$271 during fiscal year 2017 and 2016, respectively.

**BOND DISCOUNTS/PREMIUMS** - Discounts/premiums on revenue bonds are being accreted/amortized over the life of the bonds to which they relate, using a method which approximates the effective interest method.

**DEFERRED CHARGES ON REFUNDING** - Deferred charges on refunding represents the difference in the reacquisition price and the net carrying amount of the old debt. These charges are presented as a deferred outflow of resources, amortized using a method which approximates the effective interest method, and recognized as a component of amortization expense over the life of the old or new debt, whichever is shorter.

**COMPENSATED ABSENCES** - Vacation leave is granted to all regular and part-time employees. The annual amount of vacation time accrued varies from 14 to 26 days depending upon years of service. The maximum amount of vacation time that may be accumulated is twice the amount which may be earned in one calendar year. Accumulated vacation leave vests and TAIT is obligated to make payment even if the employee terminates. Full-time employees accrue 1 day (8 hours) of sick leave for each full calendar month of service and may accrue a maximum of 150 working days (1,200 hours) of sick leave. Employees may convert accrued sick leave in excess of 120 days (960 hours) to vacation leave, provided the total accrued vacation leave does not exceed the maximum allowed under the Vacation Policy. Upon retirement (age 55 or older) or death, employees with at least 120 days (960 hours) of accrued sick leave will receive payment for accrued sick leave at a rate of 1 day of pay for every 2 days of sick leave up to a maximum of 75 days (600 hours) of pay, at the employee’s rate of pay at the time of separation. The liability for compensated absences attributable to TAIT is charged to operating expenses during the period earned by the employee and a corresponding liability is established.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

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1. **NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**, continued

**DEFERRED OUTFLOW/INFLOW OF RESOURCES** - Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be reported as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The Trust records deferred outflows of resources and deferred inflows of resources related to their participation in the Municipal Employees' Retirement Plan (MERP).

**UNEARNED REVENUE** - Unearned revenue represents payments and/or revenue received but not recognized since it has not yet been earned. Unearned revenue primarily consists of rental payments received in advance.

**PENSIONS** - 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 MERP and additions to/deductions from MERP's fiduciary net position have been determined on the same basis as they are reported by MERP. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**FEDERAL AND STATE GRANTS** - Contributions resulting from federal and state grants are generally restricted for the acquisition or construction of property and equipment. Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed to be material. Federal grants receivable represent the earned portions, based on the related expenditures, of various grants that have not been remitted by the grantor. The unexpended portions of such grants are properly not reflected in the financial statements and as of June 30, 2017 and 2016, totaled \$3,356 and \$605, respectively.

**NET POSITION** - Net Position of TAIT represents the difference between assets, liabilities and deferred inflows/outflows of resources. The net position of TAIT is comprised of these categories:

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

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1. **NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**, continued

**NET INVESTMENT IN CAPITAL ASSETS** - reflects TAIT's investment in capital assets (e.g. land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. Net investment in capital assets, excludes unspent bond proceeds of \$13,673 and \$25,496 as of June 30, 2017 and 2016, respectively. The Trust uses these capital assets to provide services to the public; consequently, these assets are not available for future spending.

**RESTRICTED NET POSITION** - represents resources that are subject to enabling legislation adopted by TAIT or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**UNRESTRICTED NET POSITION** - represents remaining assets and deferred outflows of resources less remaining liabilities and deferred inflows of resources that do not meet the definition of net investment in capital assets or restricted.

The Trust first applies restricted resources when an expense or outlay is incurred for purposes for which both restricted and unrestricted resources are available.

**OPERATING RESERVE** - The Trust has an operating reserve, which was established in the Amended and Restated Bond Indenture ("Indenture"). The Indenture requires the reserve to be established and maintained at approximately one-fourth of the estimated and budgeted annual expenses of TAIT. The reserve can be used to pay operating expenses or to pay interest, principal and premium on bonds.

**FEDERAL INCOME TAXES** - The Trust, as a political subdivision of the State of Oklahoma with the City of Tulsa as beneficiary, is excluded from taxation under Section 115(1) of the Internal Revenue Code.

**REVENUES AND EXPENSES** - Operating revenues consist principally of landing and operating fees charged to airlines using the airport facilities, fuel sales fees, parking fees, and concession fees and rentals. Long-term use and lease agreements govern the rates charged to the major airlines using the airport. Under the terms of these agreements, the airlines have agreed to pay amounts which, when combined with other revenues, will be sufficient to pay operating and maintenance costs of the airports and the annual debt service on TAIT's outstanding revenue bonds for which the Trust's revenues are pledged as collateral.

Operating expenses consist of all costs incurred to administer the airport system, including depreciation of capital assets. All revenues and expenses not meeting these descriptions are considered nonoperating revenues and expenses or capital grants, contributions and charges.

**Tulsa Airports Improvement Trust**  
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**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

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1. **NATURE OF BUSINESS, REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES**, continued

**PASSENGER FACILITY CHARGE** - In 1990, the United States Congress enacted the Aviation Safety and Capacity Expansion Act ("ASCEA") of 1990, which allows public agencies controlling commercial service airports to charge eligible enplaning passengers at the airport a \$1, \$2, or \$3 passenger facility charge, or PFC. In 2000, the U.S. Congress passed the Aviation Investment and Reform Act for the 21st Century ("AIR-21"), which allowed airports to levy a PFC of \$4.00 or \$4.50 per eligible enplaned passenger.

The proceeds from PFCs are to be used to finance eligible airport-related projects that preserve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system, or furnish opportunities for enhanced competition between or among air carriers.

Effective August 1, 1992, TAIT began the assessment of a \$3.00 PFC, which increased to \$4.50 in November 2010. The charge is collected by all carriers and remitted to TAIT, less a minor handling fee. The proceeds from the PFC are restricted for use by TAIT for certain FAA-approved capital improvement projects and debt payments. PFC revenues are reflected as nonoperating revenues when collected by the Airlines. As of June 30, 2017, TAIT has submitted a total of nine applications. Under the six approved open applications TAIT is authorized to collect \$168,310 of PFC revenue until August 1, 2033.

**CUSTOMER FACILITY CHARGE** - Effective July 1, 2004, TAIT began the assessment of a Customer Facility Charge ("CFC"). Effective August 1, 2010, this rate was set at \$4.00. The charge is collected by all rental car concessionaires and remitted to TAIT. The proceeds from the CFC are designated for use by TAIT for certain rental car capital improvement projects, industry operating costs, and debt service requirements. CFC revenues are reflected in nonoperating revenues and are recognized as earned.

**CAPITAL CONTRIBUTIONS** – Capital contributions include cash payments made by other governments for facility improvements, and are recognized as revenue as expenditures are incurred. Capital contributions also include donated assets, which are recorded at their acquisition value.

**USE OF ESTIMATES** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying footnotes. Actual results could differ from those estimates.

2. **CASH AND INVESTMENTS**

**INVESTMENTS** - In accordance with the bond indentures and state statutes, authorized investments consist of obligations of the U.S. Treasury, agencies and instrumentalities, certain municipal bonds, and money market accounts.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

2. **CASH AND INVESTMENTS, continued**

The Trust's investments as of June 30, 2017 are as follows:

(in thousands of dollars)

| Type                                    | Fair Value       | June 30, 2017<br>Maturities in Years |                  |                 | Fair Value<br>Measurement |
|---|------------------|--------------------------------------|------------------|-----------------|---------------------------|
|   |                  | Less than 1                          | 1-5              | 6-10            |                           |
| US Treasury Bill                        | \$ 470           | \$ 470                               | \$ -             | \$ -            | Level 2                   |
| US Treasury Note                        | 578              | 578                                  | -                | -               | Level 2                   |
| Federal Home Loan Bank                  | 17,884           | -                                    | 17,884           | -               | Level 2                   |
| Federal National Mortgage Association   | 1,464            | 172                                  | -                | 1,292           | Level 2                   |
| Federal Home Loan Mortgage Corporation  | 1,977            | -                                    | 1,977            | -               | Level 2                   |
|   | <u>22,373</u>    | <u>\$ 1,220</u>                      | <u>\$ 19,861</u> | <u>\$ 1,292</u> |                           |
| Investments measured at amortized cost: |                  |                                      |                  |                 |                           |
| Certificates of deposit                 | 200              |                                      |                  |                 |                           |
|   | <u>\$ 22,573</u> |                                      |                  |                 |                           |

The Trust's investments as of June 30, 2016 are as follows:

(in thousands of dollars)

| Type                                    | Fair Value       | June 30, 2016<br>Maturities in Years |                  |               | Fair Value<br>Measurement |
|---|------------------|--------------------------------------|------------------|---------------|---------------------------|
|   |                  | Less than 1                          | 1-5              | 6-10          |                           |
| Federal Home Loan Bank                  | \$ 20,930        | \$ -                                 | \$ 20,098        | \$ 832        | Level 2                   |
| Federal National Mortgage Association   | 4                | -                                    | -                | 4             | Level 2                   |
|   | <u>20,934</u>    | <u>\$ -</u>                          | <u>\$ 20,098</u> | <u>\$ 836</u> |                           |
| Investments measured at amortized cost: |                  |                                      |                  |               |                           |
| Certificates of deposit                 | 200              |                                      |                  |               |                           |
|   | <u>\$ 21,134</u> |                                      |                  |               |                           |

**INTEREST RATE RISK** – The Trust does not have a formal policy limiting its exposure to fair value losses arising from rising interest rates.

**CREDIT RISK** – Credit risk is the risk that the issuer or other counterparty to an investment will not fulfil its obligations.

**Tulsa Airports Improvement Trust**  
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**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

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Investments – At June 30, 2017 and 2016, TAIT’s investments in U. S. agencies obligations not directly guaranteed by the U. S. government were rated AA+ and Aaa by Standard & Poor’s and Moody’s, respectively. TAIT’s U.S. Treasury Bills and U.S. Treasury Notes are not subject to credit risk disclosures.

**CUSTODIAL CREDIT RISK** – For deposits, custodial credit risk is the risk that in the event of a bank failure, a government’s deposits may not be returned to it. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, TAIT will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

Deposits and investments – The Trust’s deposit policy for custodial credit risk requires compliance with provisions of state law and that demand deposits be collateralized at least 110 percent of the amount that is not federally insured. At June 30, 2017 and 2016 there were no deposits or money market accounts exposed to custodial credit risk. All of the underlying securities for TAIT’s investments in U.S. agency obligations at June 30, 2017 and 2016 are registered in TAIT’s name.

**CONCENTRATION OF CREDIT RISK** – The Trust places no limit on the amount that may be invested in any one issuer.

Investments – At June 30, 2017 and 2016, TAIT’s investment in Federal Home Loan Bank (“FHLB”) constituted 80 percent and 42 percent, respectively, of its total investments. At June 30, 2017, TAIT’s investment in Federal Home Loan Mortgage Corporation constituted 9 percent of its total investments. Money market accounts and certificates of deposit are not subject to concentration of credit risk disclosure.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

3. CAPITAL ASSETS

The changes in capital assets during 2017 and 2016 are summarized as follows:

| 2017:<br><i>(in thousands of dollars)</i>   | Beginning<br>Balance | Additions | Reductions | Transfers   | Ending<br>Balance |
|---|----------------------|-----------|------------|-------------|-------------------|
| <b>Capital assets not being depreciated</b> |                      |           |            |             |                   |
| Land  | \$ 72,573            | \$ -      | \$ -       | \$ -        | \$ 72,573         |
| Easements                                   | 70,838               | -         | -          | -           | 70,838            |
| Artwork                                     | 291                  | -         | (16)       | -           | 275               |
| Construction-in-progress                    | 45,249               | 18,075    | (883)      | (56,775)    | 5,666             |
| Total capital assets not being depreciated  | 188,951              | 18,075    | (899)      | (56,775)    | 149,352           |
| <b>Capital assets being depreciated</b>     |                      |           |            |             |                   |
| Land improvements                           | 271,238              | -         | (15,395)   | 20,289      | 276,132           |
| Buildings                                   | 234,870              | 111       | -          | 32,141      | 267,122           |
| Equipment                                   | 18,924               | 804       | (2,985)    | 4,345       | 21,088            |
| Total capital assets being depreciated      | 525,032              | 915       | (18,380)   | 56,775      | 564,342           |
| <b>Accumulated depreciation</b>             |                      |           |            |             |                   |
| Land improvements                           | 182,850              | 7,261     | (15,202)   | -           | 174,909           |
| Buildings                                   | 119,466              | 7,787     | -          | -           | 127,253           |
| Equipment                                   | 11,709               | 1,249     | (2,768)    | -           | 10,190            |
| Total accumulated depreciation              | 314,025              | 16,297    | (17,970)   | -           | 312,352           |
| Total capital assets being depreciated, net | 211,007              | (15,382)  | (410)      | 56,775      | 251,990           |
| Capital assets, net                         | \$ 399,958           | \$ 2,693  | \$ (1,309) | \$ -        | \$ 401,342        |
| <b>2016:</b>                                |                      |           |            |             |                   |
| <i>(in thousands of dollars)</i>            | Beginning<br>Balance | Additions | Reductions | Transfers   | Ending<br>Balance |
| <b>Capital assets not being depreciated</b> |                      |           |            |             |                   |
| Land  | \$ 71,876            | \$ 700    | \$ (3)     | \$ -        | \$ 72,573         |
| Easements                                   | 70,838               | -         | -          | -           | 70,838            |
| Artwork                                     | 291                  | -         | -          | -           | 291               |
| Construction-in-progress                    | 69,515               | 28,490    | -          | (52,756)    | 45,249            |
| Total capital assets not being depreciated  | 212,520              | 29,190    | (3)        | (52,756)    | 188,951           |
| <b>Capital assets being depreciated</b>     |                      |           |            |             |                   |
| Land improvements                           | 247,049              | 24,304    | (120)      | 5           | 271,238           |
| Buildings                                   | 208,671              | 27,922    | (1,723)    | -           | 234,870           |
| Equipment                                   | 19,103               | 1,021     | (1,200)    | -           | 18,924            |
| Total capital assets being depreciated      | 474,823              | 53,247    | (3,043)    | 5           | 525,032           |
| <b>Accumulated depreciation</b>             |                      |           |            |             |                   |
| Land improvements                           | 176,610              | 6,356     | (120)      | 4           | 182,850           |
| Buildings                                   | 114,526              | 6,654     | (1,715)    | 1           | 119,466           |
| Equipment                                   | 11,607               | 1,061     | (959)      | -           | 11,709            |
| Total accumulated depreciation              | 302,743              | 14,071    | (2,794)    | 5           | 314,025           |
| Total capital assets being depreciated, net | 172,080              | 39,176    | (249)      | -           | 211,007           |
| Capital assets, net                         | \$ 384,600           | \$ 68,366 | \$ (252)   | \$ (52,756) | \$ 399,958        |

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

4. **REVENUE BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES**

The changes in revenue bonds payable and other long-term liabilities during 2017 are summarized as follows:

*(in thousands of dollars)*

| <b>Series and Maturity Dates</b>      | <b>Issue (Authorized) Amount</b> | <b>Interest Rate</b> | <b>Beginning Balance</b> | <b>Increase</b> | <b>Decrease</b> | <b>Ending Balance</b> | <b>Portion Due Within One Year</b> |
|---------------------------------------|----------------------------------|----------------------|--------------------------|-----------------|-----------------|-----------------------|------------------------------------|
| <b>Revenue bonds</b>                  |                                  |                      |                          |                 |                 |                       |                                    |
| Series 2004B, 2017                    | \$ 2,200                         | 4.95%                | \$ 200                   | \$ -            | \$ (200)        | \$ -                  | \$ -                               |
| Series 2009D, 2031                    | 56,615                           | 2.726 - 7.759%       | 48,180                   | -               | (650)           | 47,530                | 470                                |
| Series 2010A, 2021                    | 5,770                            | 4.57 - 5.00%         | 3,280                    | -               | (605)           | 2,675                 | 625                                |
| Series 2010B, 2021                    | 8,215                            | 6.00 - 6.50%         | 4,315                    | -               | (765)           | 3,550                 | 810                                |
| Series 2010C, 2025                    | 13,520                           | 4.00 - 5.25%         | 6,190                    | -               | (1,520)         | 4,670                 | 560                                |
| Series 2013A, 2043                    | 33,665                           | 5.00 - 5.625%        | 33,665                   | -               | (600)           | 33,065                | 630                                |
| Series 2013B, 2024                    | 3,275                            | 1.389 - 5.087%       | 2,810                    | -               | (240)           | 2,570                 | 245                                |
| Series 2015A, 2045                    | 44,045                           | 2.00 - 5.00%         | 42,105                   | -               | (1,510)         | 40,595                | 2,440                              |
| Series 2015B, 2018                    | 6,670                            | 2.00 - 4.00%         | 3,360                    | -               | (1,640)         | 1,720                 | 1,720                              |
| Series 2015C, 2045                    | 895                              | 2.00 - 4.25%         | 875                      | -               | (20)            | 855                   | 20                                 |
| Series 2015D, 2028                    | 24,395                           | 2.00 - 5.00%         | 21,965                   | -               | (70)            | 21,895                | 60                                 |
| Series 2016A, 2027                    | 1,500                            | 3.82%                | -                        | 1,048           | (46)            | 1,002                 | 81                                 |
| Total revenue bonds payable           |                                  |                      | 166,945                  | 1,048           | (7,866)         | 160,127               | 7,661                              |
| <b>Unamortized discount (premium)</b> |                                  |                      | (6,452)                  | -               | 400             | (6,052)               | -                                  |
| Total revenue bonds payable, net      |                                  |                      | 173,397                  | 1,048           | (8,266)         | 166,179               | 7,661                              |
| <b>Other long-term liabilities</b>    |                                  |                      |                          |                 |                 |                       |                                    |
| Vested compensated absences           |                                  |                      | 1,046                    | 360             | (410)           | 996                   | 167                                |
| Net pension liability                 |                                  |                      | 12,840                   | -               | (1,902)         | 10,938                | -                                  |
| Total other long-term liabilities     |                                  |                      | 13,886                   | 360             | (2,312)         | 11,934                | 167                                |
| Total long-term liabilities           |                                  |                      | \$ 187,283               | \$ 1,408        | \$ (10,578)     | \$ 178,113            | \$ 7,828                           |

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

4. **REVENUE BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES, continued**

The changes in revenue bonds payable and other long-term liabilities during 2016 are summarized as follows:

2016:

(in thousands of dollars)

| Series and Maturity Dates         | Issue (Authorized) Amount | Interest Rate  | Beginning Balance | Increase | Decrease    | Ending Balance | Portion Due Within One Year |
|-----------------------------------|---------------------------|----------------|-------------------|----------|-------------|----------------|-----------------------------|
| Revenue bonds                     |                           |                |                   |          |             |                |                             |
| Series 2004B, 2017                | \$ 2,200                  | 4.95%          | \$ 400            | \$ -     | \$ (200)    | \$ 200         | \$ 200                      |
| Series 2009D, 2031                | 56,615                    | 2.726 - 7.759% | 49,020            | -        | (840)       | 48,180         | 650                         |
| Series 2010A, 2021                | 5,770                     | 4.57 - 5.00%   | 3,860             | -        | (580)       | 3,280          | 605                         |
| Series 2010B, 2021                | 8,215                     | 6.00 - 6.50%   | 5,040             | -        | (725)       | 4,315          | 765                         |
| Series 2010C, 2025                | 13,520                    | 4.00 - 5.25%   | 7,705             | -        | (1,515)     | 6,190          | 1,520                       |
| Series 2013A, 2043                | 33,665                    | 5.00 - 5.625%  | 33,665            | -        | -           | 33,665         | 600                         |
| Series 2013B, 2024                | 3,275                     | 1.389 - 5.087% | 3,045             | -        | (235)       | 2,810          | 240                         |
| Series 2015A, 2045                | 44,045                    | 2.00 - 5.00%   | 43,755            | -        | (1,650)     | 42,105         | 1,510                       |
| Series 2015B, 2018                | 6,670                     | 2.00 - 4.00%   | 5,025             | -        | (1,665)     | 3,360          | 1,640                       |
| Series 2015C, 2045                | 895                       | 2.00 - 4.25%   | 895               | -        | (20)        | 875            | 20                          |
| Series 2015D, 2028                | 24,395                    | 2.00 - 5.00%   | 23,960            | -        | (1,995)     | 21,965         | 70                          |
| Total revenue bonds payable       |                           |                | 176,370           | -        | (9,425)     | 166,945        | 7,820                       |
| Unamortized discount (premium)    |                           |                | (6,844)           | -        | 392         | (6,452)        | -                           |
| Total revenue bonds payable, net  |                           |                | 183,214           | -        | (9,817)     | 173,397        | 7,820                       |
| Other long-term liabilities       |                           |                |                   |          |             |                |                             |
| Vested compensated absences       |                           |                | 989               | 661      | (604)       | 1,046          | 122                         |
| Net pension liability             |                           |                | 7,288             | 5,552    | -           | 12,840         | -                           |
| Total other long-term liabilities |                           |                | 8,277             | 6,213    | (604)       | 13,886         | 122                         |
| Total long-term liabilities       |                           |                | \$ 191,491        | \$ 6,213 | \$ (10,421) | \$ 187,283     | \$ 7,942                    |

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

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4. **REVENUE BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES, continued**

Pursuant to the Amended and Restated Bond Indenture dated November 1, 2009 and various supplemental bond indentures (the "Indentures"), TAIT has issued revenue bonds for the purpose of constructing improvements to the airport facilities and refunding prior issues of revenue bonds. The bonds issued are collateralized by and payable from the revenues of TAIT. The Indentures provide, among other things, for the establishment of certain restricted accounts for the receipt and expenditure of the bond proceeds and for the pledged revenues to be administered by a trustee bank.

The Indentures require TAIT to charge fees for the use and services of the airport to make TAIT self-sufficient and self-sustaining. Amounts charged and collected by TAIT for use and services of the airport are required to yield gross revenues in an amount at least equal to the sum of 1.25 times debt service, operating expenses, any deficiencies in the bond funds or accounts and an amount required to be transferred into a reserve fund. Transfers from certain reserve accounts can be considered revenue for purposes of the gross revenue test.

**REVENUES PLEDGED** - The Trust has pledged future net revenues derived from the operation of the airports to repay all of its revenue bonds issued. Proceeds from the bonds provided financing for various capital projects and debt refundings. The bonds are payable solely from gross revenues and are payable through 2045. Annual principal and interest payments on the bonds required 35 percent of gross revenues. The total principal and interest remaining to be paid on the bonds is \$263,402. Principal and interest paid for the year was \$17,394. Net revenues available for debt services in FY 2017 were \$27,644.

**DEFEASED DEBT - Series 2000A Revenue Bonds** – The Trust has placed the proceeds of refunding bonds and cash received from a tenant of TAIT, in irrevocable escrow accounts held and managed by bank trustees, and invested in U.S. Treasury obligations, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow accounts and the defeased bonds are not included in TAIT's financial statements. The defeased 2000A Revenue bonds are considered extinguished and had an outstanding balance of \$2,720 at June 30, 2017.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

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4. **REVENUE BONDS PAYABLE AND OTHER LONG-TERM LIABILITIES, continued**

**FUTURE MATURITIES**

Future maturities of revenue bonds are as follows:

*(in thousands of dollars)*

| Fiscal Year | Principal         | Interest          | Total             |
|-------------|-------------------|-------------------|-------------------|
| 2018        | \$ 7,661          | \$ 9,344          | \$ 17,005         |
| 2019        | 7,997             | 9,003             | 17,000            |
| 2020        | 8,391             | 8,605             | 16,996            |
| 2021        | 8,720             | 8,183             | 16,903            |
| 2022        | 8,123             | 7,736             | 15,859            |
| 2023-2027   | 47,045            | 31,178            | 78,223            |
| 2028-2032   | 37,160            | 16,123            | 53,283            |
| 2033-2036   | 12,290            | 8,092             | 20,382            |
| 2037-2041   | 15,940            | 4,426             | 20,366            |
| 2042-2046   | 6,800             | 585               | 7,385             |
|             | <b>\$ 160,127</b> | <b>\$ 103,275</b> | <b>\$ 263,402</b> |

5. **CONDUIT DEBT OBLIGATIONS**

To pay the costs of certain modifications, rehabilitations, and reconstruction to a special facility located adjacent to Tulsa International Airport, TAIT has issued a series of Special Facility Revenue Bonds. At June 30, 2017 and 2016, Special Facility Revenue Bonds outstanding aggregated \$10,120. The obligations are payable solely from and collateralized by a pledge of rentals to be received from a lease agreement between the airport and Biz Jet International. The bonds do not constitute a debt or pledge of the faith and credit of TAIT, the City, or the State and, accordingly, they have not been reported in the accompanying financial statements.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

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6. **PENSION AND RETIREMENT BENEFITS**

**Plan description:** Employees of TAIT are provided with pensions through the Municipal Employee Retirement Plan (MERP)—a cost-sharing multiple-employer defined benefit pension plan administered by the City of Tulsa (City). MERP provides retirement, disability and death benefits which are established by City ordinance to plan members and beneficiaries. MERP's financial statements and required supplementary information are included in the City of Tulsa's Comprehensive Annual Financial Report (CAFR). The report may be obtained by writing to the City of Tulsa Controller, 175 E. 2<sup>nd</sup> Street, Tulsa, Oklahoma 74103.

**Benefits provided:** MERP provides retirement, disability, and death benefits. Retirement benefits are determined based on the employee's highest 30 months of pensionable wages during the last five-years of service and a multiplier based on the years of service. Employees are eligible for full retirement at age 65 and at least 5 years of service or when the years of service plus the employee's age equals or exceeds 80. Reduced benefits are available after age 55 and 5 years of service (Early retirement). Benefits for Early retirement are reduced 2.5 percent per year prior to age 65. Five years of service is required for nonservice-related disability eligibility. Disability benefits are determined in the same manner as normal retirement with additional service credited during the period of disability. Death benefits for vested participants are, at the spouse's election, a refund of contribution plus interest or a life annuity of 50 percent of the member's accrued benefit determined based on final average earnings and service as of the date of death.

**Contributions:** Contributions are set per City of Tulsa ordinance. Employees were required to contribute 6.5 percent of their pensionable wages for the years ended June 30, 2017 and 2016. The Trust was required to contribute 11.5 percent of pensionable wages for the years ended June 30, 2017 and 2016. The Trust is also responsible for Actuarially Determined Employer Contributions (ADEC) that exceed the 11.5 percent of payroll. Actual contributions to the pension plan from TAIT were \$770 and \$785 for the years ended June 30, 2017 and 2016, respectively.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2017, TAIT reported a liability of \$10,938 for its proportionate share of the net pension liability. The liability for June 30, 2016 was \$12,840. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2017. Standard update procedures were used to roll forward the total pension liability to June 30, 2017. The Trust's proportion of the net pension liability was based on TAIT's share of contributions to the pension plan relative to the contributions of all participating governments. At June 30, 2017 and 2016, TAIT's proportion was 5.5364 percent and 5.9357 percent, respectively.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

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6. **PENSION AND RETIREMENT BENEFITS**, continued

For the years ended June 30, 2017 and 2016, TAIT recognized pension expense of \$1,048 and \$1,134, respectively. At June 30, 2017 and 2016, TAIT reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--|--------------------------------------|-------------------------------------|
| <b>2017:</b>   |                                      |                                     |
| Differences between expected and actual plan experience  | \$ 91                                | \$ (473)                            |
| Changes of assumptions   | 1,861                                | (824)                               |
| Net difference between projected and actual earnings on pension plan investments                           | 103                                  | -                                   |
| Changes in proportion and differences between Trust contributions and proportionate share of contributions | 390                                  | (547)                               |
| Total  | <u>\$ 2,445</u>                      | <u>\$ (1,844)</u>                   |
| <br>   |                                      |                                     |
|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| <b>2016:</b>   |                                      |                                     |
| Differences between expected and actual plan experience  | \$ 137                               | \$ (332)                            |
| Changes of assumptions   | 2,810                                | (1,717)                             |
| Net difference between projected and actual earnings on pension plan investments                           | 1,304                                | -                                   |
| Changes in proportion and differences between Trust contributions and proportionate share of contributions | 597                                  | -                                   |
| Total  | <u>\$ 4,848</u>                      | <u>\$ (2,049)</u>                   |

**Note:** Changes of assumptions – In 2016, amounts reported as changes in assumptions resulted primarily from the changes in mortality table and discount rate from 7.75 percent to 7.5 percent.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

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6. **PENSION AND RETIREMENT BENEFITS**, continued

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                     |    |            |
|---------------------|----|------------|
| Year ended June 30: |    |            |
| 2018                | \$ | (176)      |
| 2019                |    | 1,013      |
| 2020                |    | 190        |
| 2021                |    | (426)      |
|                     | \$ | <u>601</u> |

**Actuarial assumptions:** The total pension liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 3.00 percent  |
| Salary increases          | 4.00 to 11.75 percent, including inflation  |
| Investment rate of return | 7.50 percent compounded annually, net of investment expense and including inflation |

Mortality rates were based on the RP-2014 Combined Healthy Mortality Tables with Blue Collar adjustments. Generational mortality improvements with Scale MP-2015 are from the table's base year of 2014.

The actuarial assumptions used in the January 1, 2017 valuation were based on the results of an actuarial experience study for the five-year period ending December 31, 2015.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

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6. **PENSION AND RETIREMENT BENEFITS**, continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan 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 allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| <b>Asset Class</b>   | <b>Target<br/>Allocation</b> | <b>Long-Term<br/>Expected Real<br/>Rate of Return</b> |
|----------------------|------------------------------|---|
| Fixed income         | 24%                          | 1.16%   |
| Domestic equity      | 36                           | 6.19  |
| International equity | 24                           | 6.59  |
| Real estate          | 8                            | 4.24  |
| Commodities          | 3                            | 0.50  |
| Timber               | 4                            | 4.25  |
| Cash                 | 1                            | 0.11  |
|                      | 100%                         |   |

**Discount rate:** The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the participating employers will be made as specified in MERP's funding policy. Beginning July 1, 2017, and all future years, it is assumed that the employer contribution rate will increase to 15.50 percent of payroll, which is the actuarially determined contribution rate. Based on those assumptions, MERP'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 on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

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6. **PENSION AND RETIREMENT BENEFITS**, continued

**Sensitivity of TAIT’s proportionate share of the net pension liability to changes in the discount rate:** The following presents TAIT’s proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what TAIT’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

|  | 1% Decrease<br>(6.5%) | Current<br>Discount Rate<br>(7.5%) | 1% Increase<br>(8.5%) |
|--|-----------------------|------------------------------------|-----------------------|
| <b>2017:</b>   |                       |                                    |                       |
| Trust’s proportionate share of the net pension liability | \$ 15,127             | \$ 10,938                          | \$ 7,427              |

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the City of Tulsa’s CAFR; which can be located at [www.cityoftulsa.org](http://www.cityoftulsa.org).

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

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7. **RENTAL INCOME FROM OPERATING LEASES**

The Trust leases space in the Tulsa International Airport terminal along with other land and buildings on a fixed fee as well as contingent rental basis. Many of the leases provide for a periodic review and predetermination of the rental amounts. Substantially all depreciable capital assets are held by TAIT for the purpose of rental or related use.

Minimum future rentals under non-cancellable operating leases as of June 30, 2017, are as follows:

*(In thousands of dollars)*

|            |    |               |
|------------|----|---------------|
| 2018       | \$ | 10,386        |
| 2019       |    | 8,212         |
| 2020       |    | 7,912         |
| 2021       |    | 7,579         |
| 2022       |    | 7,030         |
| 2023 -2027 |    | 12,765        |
| 2028 -2032 |    | 6,916         |
| 2033 -2037 |    | 4,230         |
| 2038 -2042 |    | 1,178         |
| 2043 -2047 |    | 562           |
| 2048 -2052 |    | 316           |
| 2053 -2057 |    | 316           |
| 2058 -2062 |    | 306           |
|            | \$ | <u>67,708</u> |

Under the Use and Lease Agreements between the airlines and TAIT, the airlines have agreed to pay rates, fees and charges determined prior to the beginning of each fiscal year in an amount sufficient (a) to pay 125 percent of the debt service on bonds secured by the bond indenture; (b) to pay operating expense for the next succeeding fiscal year; (c) to provide for any deficiencies in the funds or accounts held under the bond indenture. The current Agreement expires June 30, 2018.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

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8. **RISK MANAGEMENT**

The Trust maintains commercial insurance coverage for property and equipment, bodily injury, automotive (personal liability and property damage off-airport), workers compensation on all employees and liability insurance coverage for its board members and directors. The Trust's current health and welfare insurance policies cover an 18-month period ending December 31, 2017. There were no significant reductions in TAIT's insurance coverage during the year and there were no settlement amounts in excess of the insurance coverage in the current year or in the three prior years.

9. **COMMITMENTS AND CONTINGENCIES**

As of June 30, 2017, TAIT had open commitments for construction projects of approximately \$6,288.

There are other various suits and claims pending against TAIT which have arisen in the course of operating TAIT. Management believes any losses resulting from any such actions will not have a material adverse impact on the financial position or results of operations of TAIT.

10. **RELATED PARTY TRANSACTIONS**

During the years ended June 30, 2017 and 2016, TAIT conducted the following transactions with related parties.

| <i>(In thousands of dollars)</i>                              | 2017     | 2016     |
|---|----------|----------|
| Payments to City of Tulsa - General Fund for support services | \$ 52    | \$ 51    |
| Payments to City of Tulsa - General Fund for fire services    | \$ 1,823 | \$ 1,920 |

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Notes to Basic Financial Statements (in thousands of dollars), continued**  
**June 30, 2017 and 2016**

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**11. FUTURE CHANGES IN ACCOUNTING PRONOUNCEMENTS**

GASB Statement No. 87, *Leases*, issued June 2017, will be effective for the Trust beginning with its fiscal year ending June 30, 2021, with earlier adoption encouraged. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the Trust must report the (1) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments, and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, non-lease components embedded in lease contracts (such as service agreements), and leases with related parties.

**12. MAJOR CUSTOMERS**

The Trust has two customers that provide in excess of 10 percent of the operating revenues. Revenues from these two customers were \$3,786 and \$3,740, respectively. Amounts due from these customers as of June 30, 2017 were \$183 and \$184, respectively.

**13. SUBSEQUENT EVENT**

On September 6, 2017, the Trustees of the Tulsa Airports Improvement Trust issued \$54,180 of General Airport Revenue Refunding Bonds, Taxable Series 2017. The proceeds of the 2017 Bonds were used to advance refund a portion of the Airport Trustees General Airport Revenue Bonds, Taxable Refunding Series 2009D, and to pay the costs of issuance of the 2017 Bonds. The 2017 Bonds were issued for savings and resulted in a net present value savings of \$9,276 or 19.7 percent of the refunded bonds. These bonds will be repaid from certain Net Revenues derived from the operation of the Airports through maturity of June 1, 2037.

On September 14, 2017, the Trustees approved the Tulsa Airport (TUL) Master Plan (last updated in 1996). The Master Plan guides future development for the airport with regard to the FAA investment and TUL's role in the National Airports System (NAS).

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Required Supplementary Information (in thousands of dollars)**  
**Municipal Employees' Retirement Plan**  
**June 30, 2017**

**Schedule of Proportionate Share of the Net Pension Liability**

| Year | Trust's<br>Proportion of<br>Net Pension<br>Liability | Trust's<br>Proportionate<br>Share of<br>Net Pension<br>Liability | Trust's<br>Covered-<br>Employee<br>Payroll | Trust's<br>Proportionate<br>Share of Net<br>Pension Liability<br>as a Percentage<br>of its Covered-<br>Employee<br>Payroll | Plan Fiduciary<br>Net Position<br>as a Percentage<br>of Total<br>Pension<br>Liability |
|------|--|--|--|--|---|
| 2017 | 5.5364%  | \$ 10,938  | \$ 6,696                                   | 163.35%  | 69.39%  |
| 2016 | 5.9357%  | 12,840   | 6,848                                      | 187.50%  | 65.62%  |
| 2015 | 5.8186%  | 7,288  | 6,316                                      | 115.39%  | 77.13%  |

\* Prior year information is not available.

**Schedule of Employer Contributions - Last Ten Years**

| Year | Contractually<br>Required<br>Contributions | Actual<br>Contributions | Contribution<br>Deficiency<br>(Excess) | Trust's<br>Covered-<br>Employee<br>Payroll | Contributions<br>as a<br>Percentage of<br>Covered-<br>Employee<br>Payroll |
|------|--|-------------------------|--|--|---|
| 2017 | \$ 770                                     | \$ 770                  | \$ -                                   | \$ 6,696                                   | 11.5%   |
| 2016 | 785  | 785                     | -                                      | 6,848                                      | 11.5%   |
| 2015 | 748  | 748                     | -                                      | 6,316                                      | 11.8%   |
| 2014 | 665  | 659                     | -                                      | N/A  | N/A   |
| 2013 | 672  | 840                     | -                                      | N/A  | N/A   |
| 2012 | 720  | 700                     | -                                      | N/A  | N/A   |
| 2011 | 572  | 358                     | -                                      | N/A  | N/A   |
| 2010 | 517  | 370                     | -                                      | N/A  | N/A   |
| 2009 | 380  | 380                     | -                                      | N/A  | N/A   |
| 2008 | 366  | 366                     | -                                      | N/A  | N/A   |

Changes of assumptions. In 2016, amounts reported as changes of assumptions resulted primarily from changes in the mortality table and discount rate from 7.75 percent to 7.5 percent.

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Supplementary Information**  
**Detailed Schedules of Operating Revenue**  
**Years Ended June 30, 2017 and 2016**

(in thousands of dollars)

|  | 2017             | 2016             |
|--|------------------|------------------|
| <b>Aeronautical operating revenues</b>                                     |                  |                  |
| <b>Landing fees - signatory and non-signatory</b>                          |                  |                  |
| Passenger airline landing fees   | \$ 6,254         | \$ 5,776         |
| Cargo airline landing fees   | 1,200            | 1,146            |
| Military joint use fees  | 44               | 44               |
| Total landing fees   | <u>7,498</u>     | <u>6,966</u>     |
| <b>Passenger airline terminal revenue - signatory and non-signatory</b>    |                  |                  |
| Airline terminal rentals   | 3,879            | 3,763            |
| Baggage system rentals   | 2,202            | 2,273            |
| Other terminal area airline fees   | (98)             | (652)            |
| Total terminal area passenger airline fees                                 | <u>5,983</u>     | <u>5,384</u>     |
| Total landing fees and terminal area passenger airline revenues            | <u>13,481</u>    | <u>12,350</u>    |
| <b>Other Aeronautical Revenue</b>  |                  |                  |
| FBO revenue  | 870              | 870              |
| Hangar, cargo space and ground rents                                       | 1,683            | 1,664            |
| Fuel flowage fees  | 734              | 674              |
| Security reimbursements  | 121              | 114              |
| Other aeronautical revenue   | 168              | 170              |
| Total other aeronautical revenue   | <u>3,576</u>     | <u>3,492</u>     |
| Total Aeronautical Revenue   | <u>17,057</u>    | <u>15,842</u>    |
| <b>Non-Aeronautical Operating Revenue</b>                                  |                  |                  |
| <b>Terminal Revenues</b>   |                  |                  |
| Food and beverage  | 638              | 660              |
| Retail   | 568              | 608              |
| Other terminal concessions and revenue (excludes rental car counter space) | 983              | 813              |
| Total non-aeronautical Terminal Revenue                                    | <u>2,189</u>     | <u>2,081</u>     |
| <b>Other Non-Aeronautical Operating Revenue</b>                            |                  |                  |
| Rental car revenues  | 4,520            | 4,688            |
| Parking revenues   | 8,111            | 7,882            |
| Hotel revenues   | 242              | 254              |
| Ground rents and facilities leases (excludes aeronautical & car rental)    | 411              | 343              |
| Other non-aeronautical revenue   | 104              | 91               |
| Total Other Non-Aeronautical Operating Revenues                            | <u>13,388</u>    | <u>13,258</u>    |
| Total Non-Aeronautical Operating Revenue                                   | <u>15,577</u>    | <u>15,339</u>    |
| <b>Revenue from R. L. Jones, Jr. Airport</b>                               | 1,079            | 1,047            |
| <b>Revenue from Okmulgee Airport</b>                                       | 72               | 77               |
| Total operating revenues   | <u>\$ 33,785</u> | <u>\$ 32,305</u> |

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Schedule of Insurance in Force (Unaudited)**  
**Year Ended June 30, 2017**

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| <b>Policy Coverage</b>   | <b>Issuer</b>                            | <b>Limit of Liability</b>   | <b>Self Insurar</b> | <b>Expiration Date</b> | <b>Premium</b> |
|--|--|---|---------------------|------------------------|----------------|
| Primary coverage on bodily injury, single limit bodily injury and property damage liability.                     | Phoenix Aviation Managers, Inc           | Up to \$75,000,000 for any one accident, or occurrence with \$25,000 deductible each loss, and \$100,000 annual aggregate deductible. | None                | 11/20/2017             | \$ 69,200      |
| Property damage (including boilers and machinery and scheduled automotive equipment) fire and extended coverage. | Public Entity Property Insurance Program | Real and personal property damage not to exceed \$375,000,000 with \$100,000 deductible.  | None                | 7/1/2018               | \$ 162,974     |
| Automotive personal liability and property damage off-airport.   | Mid-Continent Casualty Co.               | Excess of \$250,000 up to \$1,000,000 bodily injury and property damage, combined single limit, each occurrence and in the aggregate. | None                | 7/19/2018              | \$ 27,766      |
| Workers compensation insurance   | Compsource                               | Bodily injury by accident, \$1,000,000 each accident; Disease \$1,000,000 each employee   | None                | 10/01/2017             | \$ 172,117     |
| Directors and Officers Liability   | Navigators Specialty Insurance Co.       | \$1,000,000 all loss, \$100,000 non-monetary, \$500,000 add excess  | None                | 6/22/2018              | \$ 24,961      |

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Statistical Information (Unaudited)**  
**Year Ended June 30, 2017**

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**Schedule of Net Revenues Available for Debt Service and Debt Coverage:**

|   |                             |
|---|-----------------------------|
| <b>Gross revenues as defined by the Bond Indenture as supplemented</b>  |                             |
| Operating revenue   | \$ 33,785,931               |
| Nonoperating revenues (1)   | 247,801                     |
| Airport Improvement Fund balance (2)  | 3,904,842                   |
| Airport Improvement Fund transfers (2)  | 1,711,817                   |
| Nonoperating funds available for debt service (4)   | 1,256,448                   |
| PFC funds available for debt service (3)  | 5,705,921                   |
| CFC revenues  | 3,126,212                   |
| Other nonoperating  | 102,527                     |
| Total gross revenues  | <u>49,841,499</u>           |
| <b>Gross expenses as defined by the Bond Indenture as supplemented</b>  |                             |
| Combined operating expenses, excluding non-cash pension expense   | 21,283,651                  |
| Capitalized expenditures classified as operating expenses in accordance with the Bond Indenture as supplemental | 914,201                     |
| Total operating expenses  | <u>22,197,852</u>           |
| <b>Net revenues available for debt service</b>  | <u><u>\$ 27,643,647</u></u> |
| <b>Debt service (5)</b>   | \$ 17,456,883               |
| <b>Debt coverage</b>  | 1.58                        |

- (1) Nonoperating revenues including interest earned on invested funds, net of construction fund interest earnings and certain other nonoperating revenues and expenses, as defined by the Bond Indenture.
- (2) The Bond Indenture provides that transfers from the Airport Improvement Fund to other funds are considered as Gross Revenues for the next ensuing fiscal year.
- (3) PFC are Dedicated Revenues, which the Trustee have dedicated to pay an amount up to 1.25 times principal and or interest on the Bonds.
- (4) Nonoperating sources of funds specifically identified for debt service.
- (5) The Bond Indenture defines debt service as the aggregate amount required to be deposited during the year in the Bond fund to provide for the payment of interest (to the extent not capitalized) and principal on the Bonds.

**Tulsa Airports Improvement Trust**  
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**Schedule of Funds on Deposit and Invested:**

| DESCRIPTION                                   | DUE DATE   | INTEREST RATE | YIELD AT MARKET | PAR VALUE  | INVESTMENT COST | MARKET VALUE |
|---|------------|---------------|-----------------|------------|-----------------|--------------|
| <b>Revenue Funds</b>                          |            |               |                 |            |                 |              |
| Cash  | On Demand  | 0.00%         | 0.00%           | \$ 182,114 | \$ 182,114      | \$ 182,114   |
| BOK Short-Term Cash Fund I                    | On Demand  | 0.68%         | 0.68%           | 2,493,528  | 2,493,528       | 2,493,528    |
| Revenue Receipts Demand Deposit Account       | On Demand  | 0.00%         | 0.00%           | 84,617     | 84,617          | 84,617       |
| Parking Receipts Demand Deposit Account       | On Demand  | 0.00%         | 0.00%           | 420        | 420             | 420          |
| Total Revenue Funds                           |            |               |                 |            | 2,760,680       | 2,760,680    |
| <b>Coverage Account</b>                       |            |               |                 |            |                 |              |
| BOK Short-Term Cash Fund I                    | On Demand  | 0.68%         | 0.68%           | 3,003,131  | 3,003,131       | 3,003,131    |
| Total Coverage Account                        |            |               |                 |            | 3,003,131       | 3,003,131    |
| <b>Commerce Bank</b>                          |            |               |                 |            |                 |              |
| Commerce Bank - Time Deposit 6220649706       | 11/25/2017 | 0.04%         | 0.04%           | 50,175     | 50,175          | 50,175       |
| Commerce Bank - Time Deposit 6220649739       | 11/25/2017 | 0.04%         | 0.04%           | 150,525    | 150,525         | 150,525      |
| Total Commerce Bank                           |            |               |                 |            | 200,699         | 200,699      |
| <b>Customer Facility Charge Account</b>       |            |               |                 |            |                 |              |
| BOK Short-Term Cash Fund I                    | On Demand  | 0.68%         | 0.68%           | 3,695,371  | 3,695,371       | 3,695,371    |
| FHLB STP (3130A82C6)                          | 06/08/2021 | 1.14%         | 1.14%           | 3,615,000  | 3,615,000       | 3,571,837    |
| Total Customer Facility Charge Accounts       |            |               |                 |            | 7,310,371       | 7,267,208    |
| <b>Passenger Facility Charge Revenue Fund</b> |            |               |                 |            |                 |              |
| Cash  | On Demand  | 0.00%         | 0.00%           | 466        | 466             | 466          |
| BOK Short-Term Cash Fund I                    | On Demand  | 0.68%         | 0.68%           | 714,661    | 714,661         | 714,661      |
| PFC Demand Deposit Account                    | On Demand  | 0.00%         | 0.00%           | 1,154      | 1,154           | 1,154        |
| Total Passenger Facility Charge Revenue Fund  |            |               |                 |            | 716,281         | 716,281      |
| <b>Operating Reserve Fund</b>                 |            |               |                 |            |                 |              |
| BOK Short-Term Cash Fund I                    | On Demand  | 0.68%         | 0.68%           | 520,128    | 520,128         | 520,128      |
| FHLB (3130A82C6)                              | 06/08/2021 | 1.14%         | 1.14%           | 2,400,000  | 2,400,000       | 2,371,344    |
| FNMA (3136G3YV1)                              | 06/30/2021 | 1.29%         | 1.29%           | 1,330,000  | 1,330,000       | 1,288,783    |
| FHLMC (3134G9VX2)                             | 07/27/2023 | 1.01%         | 1.01%           | 2,000,000  | 2,000,000       | 1,976,140    |
| FNMA POOL #20086 (31360YJ70)                  | 07/01/2024 | 4.83%         | 4.83%           | 1,071      | 1,071           | 1,109        |
| FNMA POOL #4593 (31360FC60)                   | 05/01/2024 | 4.66%         | 4.66%           | 1,758      | 1,758           | 1,696        |
| Total Operating Reserve Fund                  |            |               |                 |            | 6,252,957       | 6,159,200    |
| <b>Airport Improvement Fund</b>               |            |               |                 |            |                 |              |
| BOK Short-Term Cash Fund I                    | On Demand  | 0.00%         | 0.00%           | 493,708    | 493,708         | 493,708      |
| Total Airport Improvement Fund                |            |               |                 |            | \$ 493,708      | \$ 493,708   |

(Continued)

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
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**Year Ended June 30, 2017**

| DESCRIPTION  | DUE DATE   | INTEREST RATE | YIELD AT MARKET | PAR VALUE  | INVESTMENT COST | MARKET VALUE |
|--|------------|---------------|-----------------|------------|-----------------|--------------|
| <b>Bond Principal and Interest Accounts</b>            |            |               |                 |            |                 |              |
| BOK Short-Term Cash Fund - 2009D Bond Fund             | On Demand  | 0.68%         | 0.68%           | \$ 339,333 | \$ 339,333      | \$ 339,333   |
| FNMA (3135G0WJ8) - 2009D Bond Fund                     | 05/21/2018 | 0.88%         | 1.14%           | 53,000     | 52,942          | 52,824       |
| BOK Short-Term Cash Fund - 2010A Bond Fund             | On Demand  | 0.68%         | 0.68%           | 758        | 758             | 758          |
| US Treasury Bill (912796MD8) - 2010A Bond Fund         | 11/24/2017 | 0.00%         | 0.93%           | 10,000     | 9,962           | 9,958        |
| US Treasury Note (912828R51) - 2010A Bond Fund         | 05/31/2018 | 0.88%         | 0.88%           | 52,000     | 51,905          | 51,819       |
| BOK Short-Term Cash Fund - 2010B Bond Fund             | On Demand  | 0.68%         | 0.68%           | 1,339      | 1,339           | 1,339        |
| FNMA (3135G0WJ8) - 2010B Bond Fund                     | 05/21/2018 | 0.88%         | 0.88%           | 92,000     | 91,899          | 91,694       |
| US Treasury Bill (912796MD8) - 2010B Bond Fund         | 11/24/2017 | 0.00%         | 0.93%           | 19,000     | 18,927          | 18,920       |
| US Treasury Note (912828R51) - 2010B Bond Fund         | 05/31/2018 | 0.88%         | 0.88%           | 59,000     | 58,892          | 58,794       |
| BOK Short-Term Cash Fund - 2010C Bond Fund             | On Demand  | 0.68%         | 0.68%           | 1,605      | 1,605           | 1,605        |
| US Treasury Bill (912796MD8) - 2010C Bond Fund         | 11/24/2017 | 0.00%         | 0.93%           | 18,000     | 17,931          | 17,924       |
| US Treasury Note (912828R51) - 2010C Bond Fund         | 5/31/2017  | 0.88%         | 0.88%           | 46,000     | 45,916          | 45,839       |
| BOK Short-Term Cash Fund - 2013A Interest Account      | On Demand  | 0.68%         | 0.68%           | 239        | 239             | 239          |
| US Treasury Bill (912796MD8) - 2013A Interest Account  | 11/24/2017 | 0.00%         | 0.93%           | 150,000    | 149,423         | 149,367      |
| BOK Short-Term Cash Fund - 2013A Principal Account     | On Demand  | 0.68%         | 0.68%           | 695        | 695             | 695          |
| US Treasury Note (912828R51) - 2013A Principal Account | 05/31/2018 | 0.88%         | 0.88%           | 52,000     | 51,905          | 51,819       |
| BOK Short-Term Cash Fund - 2013B Interest Account      | On Demand  | 0.68%         | 0.68%           | 757        | 757             | 757          |
| US Treasury Bill (912796MD8) - 2013B Interest Account  | 11/24/2017 | 0.00%         | 0.93%           | 9,000      | 8,965           | 8,962        |
| BOK Short-Term Cash Fund - 2013B Principal Account     | On Demand  | 0.68%         | 0.68%           | 147        | 147             | 147          |
| FNMA (3135G0WJ8) - 2013B Principal Account             | 05/21/2018 | 0.88%         | 0.88%           | 28,000     | 27,969          | 27,907       |
| US Treasury Note (912828R51) - 2013B Principal Account | 05/31/2018 | 0.88%         | 0.88%           | 18,000     | 17,967          | 17,937       |
| BOK Short-Term Cash Fund - 2015A Interest Account      | On Demand  | 0.68%         | 0.68%           | 414        | 414             | 414          |
| US Treasury Bill (912796MD8) - 2015A Interest Account  | 11/24/2017 | 0.00%         | 0.93%           | 168,000    | 167,353         | 167,291      |
| BOK Short-Term Cash Fund - 2015A Principal Account     | On Demand  | 0.68%         | 0.68%           | 53         | 53              | 53           |
| US Treasury Note (912828R51) - 2015A Principal Account | 05/31/2018 | 0.88%         | 0.88%           | 204,000    | 203,625         | 203,288      |
| BOK Short-Term Cash Fund - 2015B Interest Account      | On Demand  | 0.68%         | 0.68%           | 782        | 782             | 782          |
| US Treasury Bill (912796MD8) - 2015B Interest Account  | 11/24/2017 | 0.00%         | 0.93%           | 5,000      | 4,981           | 4,979        |
| BOK Short-Term Cash Fund - 2015B Principal Account     | On Demand  | 0.68%         | 0.68%           | 19         | 19              | 19           |
| US Treasury Note (912828R51) - 2015B Principal Account | 05/31/2018 | 0.88%         | 0.88%           | 144,000    | 143,736         | 143,497      |
| BOK Short-Term Cash Fund - 2015C Interest Account      | On Demand  | 0.68%         | 0.68%           | 755        | 755             | 755          |
| US Treasury Bill (912796MD8) - 2015C Interest Account  | 11/24/2017 | 0.00%         | 0.93%           | 2,000      | 1,992           | 1,992        |
| BOK Short-Term Cash Fund - 2015C Principal Account     | On Demand  | 0.68%         | 0.68%           | 1,672      | 1,672           | 1,672        |
| BOK Short-Term Cash Fund - 2015D Interest Account      | On Demand  | 0.68%         | 0.68%           | 773        | 773             | 773          |
| US Treasury Bill (912796MD8) - 2015D Interest Account  | 11/24/2017 | 0.00%         | 0.93%           | 91,000     | 90,650          | 90,616       |
| BOK Short-Term Cash Fund - 2015D Principal Account     | On Demand  | 0.68%         | 0.68%           | 22         | 22              | 22           |
| US Treasury Note (912828R51) - 2015D Principal Account | 05/31/2018 | 0.88%         | 0.88%           | 5,000      | 4,991           | 4,983        |
| Total Bond Principal and Interest Accounts             |            |               |                 |            | 1,571,291       | 1,569,771    |
| <b>Construction Funds</b>                              |            |               |                 |            |                 |              |
| BOK Short-Term Cash Fund 2013A Bonds                   | On Demand  | 0.68%         | 0.68%           | 858,788    | 858,788         | 858,788      |
| BOK Short-Term Cash Fund 2015A Bonds                   | On Demand  | 0.68%         | 0.68%           | 10         | 10              | 10           |
| BOK Short-Term Cash Fund 2015C Bonds                   | On Demand  | 0.68%         | 0.68%           | 869,964    | 869,964         | 869,964      |
| BOK Short-Term Cash Fund - 2016 Bonds                  | On Demand  | 0.68%         | 0.68%           | 5          | 5               | 5            |
| Total Construction Funds                               |            |               |                 |            | \$ 1,728,767    | \$ 1,728,767 |

(Continued)

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
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**Year Ended June 30, 2017**

| DESCRIPTION  | DUE DATE  | INTEREST RATE | YIELD AT MARKET | PAR VALUE    | INVESTMENT COST      | MARKET VALUE         |
|--|-----------|---------------|-----------------|--------------|----------------------|----------------------|
| <b>Bond Reserve Funds</b>                            |           |               |                 |              |                      |                      |
| FHLB (3130A82C6) (Tax-Exempt)                        | 6/8/2021  | 1.14%         | 1.14%           | \$ 4,000,000 | \$ 4,000,000         | \$ 3,952,240         |
| BOK Short-Term Cash Fund -(Taxable)                  | On Demand | 0.68%         | 0.68%           | 3,552        | 3,552                | 3,552                |
| FHLB (3130A82C6) (Taxable)                           | 6/8/2021  | 1.14%         | 1.14%           | 8,085,000    | 8,085,000            | 7,988,465            |
| Total Bond Reserve Funds                             |           |               |                 |              | <u>12,088,552</u>    | <u>11,944,257</u>    |
| <b>Capital Projects Clearing Fund</b>                |           |               |                 |              |                      |                      |
| Grant Receipts Demand Deposit Account                | On Demand | 0.00%         | 0.00%           | 1,000        | 1,000                | 1,000                |
| BOK Short-Term Cash Fund I                           | On Demand | 0.68%         | 0.68%           | 718,269      | 718,269              | 718,269              |
| Total Capital Projects Clearing Fund                 |           |               |                 |              | <u>719,269</u>       | <u>719,269</u>       |
| <b>Other Funds</b>                                   |           |               |                 |              |                      |                      |
| BOK Short-Term Cash Fund I (Special Programs)        | On Demand | 0.68%         | 0.68%           | 282,412      | 282,412              | 282,412              |
| BOK Short-Term Cash Fund I (State Grant Escrow Fund) | On Demand | 0.68%         | 0.68%           | 176,629      | 175,871              | 175,871              |
| General Operating Deposit Account                    | On Demand | 0.00%         | 0.00%           | 2,574,464    | 2,574,464            | 2,574,464            |
| Payroll Demand Deposit Account                       | On Demand | 0.00%         | 0.00%           | 2,116        | 2,116                | 2,116                |
| Arvest Bank (Purchasing Card) Demand Deposit Account | On Demand | 0.00%         | 0.00%           | 4,538        | 4,538                | 4,538                |
| Petty Cash   | On Demand | 0.00%         | 0.00%           | 2,500        | 2,500                | 2,500                |
| Total Other Funds                                    |           |               |                 |              | <u>3,041,900</u>     | <u>3,041,900</u>     |
| Total Funds on Deposit and Invested                  |           |               |                 |              | <u>\$ 39,887,607</u> | <u>\$ 39,604,872</u> |

**Tulsa Airports Improvement Trust**  
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**Five Year Construction In Progress** – The Airport’s total estimated cost for the years ending 2018 through 2022 (in thousands):

|                      | <u>Total</u>     | <u>Federal</u>   | <u>Local</u>     |
|----------------------|------------------|------------------|------------------|
| Airfield             | \$ 69,298        | \$ 62,369        | \$ 6,929         |
| Terminal             | 13,500           | 9,850            | 3,650            |
| Landside             | 3,510            | -                | 3,510            |
| RVS                  | 5,211            | 4,805            | 406              |
| Total Estimated Cost | <u>\$ 91,519</u> | <u>\$ 77,024</u> | <u>\$ 14,495</u> |

**Monthly Enplaned Passengers** – The following table is a summary presentation of the monthly enplaned passengers for the past five years:

|           | <u>2013</u>      | <u>2014</u>      | <u>2015</u>      | <u>2016</u>      | <u>2017</u>      |
|-----------|------------------|------------------|------------------|------------------|------------------|
| January   | 89,453           | 91,831           | 92,882           | 95,061           | 94,979           |
| February  | 87,788           | 89,129           | 87,205           | 92,295           | 91,635           |
| March     | 104,728          | 113,445          | 109,223          | 107,894          | 116,942          |
| April     | 107,204          | 110,202          | 111,916          | 105,538          | 109,419          |
| May       | 128,047          | 128,276          | 131,583          | 125,223          | 130,587          |
| June      | 126,798          | 130,251          | 129,831          | 130,343          | 133,482          |
| July      | 120,444          | 135,046          | 134,521          | 124,759          | 129,121          |
| August    | 110,196          | 113,087          | 111,419          | 111,063          | 116,857          |
| September | 107,658          | 112,832          | 111,424          | 112,387          | 107,552          |
| October   | 121,302          | 126,823          | 123,830          | 119,812          | N/A (1)          |
| November  | 110,513          | 108,158          | 114,588          | 117,507          | N/A (1)          |
| December  | 111,964          | 115,246          | 116,164          | 117,727          | N/A (1)          |
| Annual    | <u>1,326,095</u> | <u>1,374,326</u> | <u>1,374,586</u> | <u>1,359,609</u> | <u>1,030,574</u> |

<sup>(1)</sup> Not available

**Tulsa Airports Improvement Trust**  
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**Average Daily Scheduled Flights:**

| Airline       | 2013                        |            | 2014                        |            | 2015                        |            | 2016                        |            | 2017                        |            |
|---------------|-----------------------------|------------|-----------------------------|------------|-----------------------------|------------|-----------------------------|------------|-----------------------------|------------|
|               | Daily Arrivals & Departures | % of Total | Daily Arrivals & Departures | % of Total | Daily Arrivals & Departures | % of Total | Daily Arrivals & Departures | % of Total | Daily Arrivals & Departures | % of Total |
| Allegiant Air | -                           | 0.00%      | -                           | 0.00%      | 3                           | 2.65%      | 4                           | 4.00%      | 3                           | 3.00%      |
| American      | 26                          | 20.00%     | 26                          | 20.63%     | 32                          | 28.32%     | 26                          | 26.00%     | 24                          | 24.20%     |
| Delta         | 24                          | 18.46%     | 22                          | 17.46%     | 17                          | 15.04%     | 16                          | 16.00%     | 17                          | 17.20%     |
| Southwest     | 36                          | 28.57%     | 34                          | 26.98%     | 25                          | 22.12%     | 25                          | 25.00%     | 27                          | 27.30%     |
| United        | 44                          | 34.92%     | 44                          | 34.92%     | 36                          | 31.86%     | 29                          | 29.00%     | 28                          | 28.30%     |
|               | <u>130</u>                  | 100.00%    | <u>126</u>                  | 100.00%    | <u>113</u>                  | 100.00%    | <u>100</u>                  | 100.00%    | <u>99</u>                   | 100.00%    |

**Tulsa Airports Improvement Trust**  
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**Airline Enplaned Passengers:**

| Airline                          | 2013             |                | 2014             |                | 2015             |                | 2016             |                | 2017             |                |
|----------------------------------|------------------|----------------|------------------|----------------|------------------|----------------|------------------|----------------|------------------|----------------|
|                                  | Number           | % of Total     |
| Allegiant Air                    | -                | N/A            | -                | N/A            | 24,461           | 1.78%          | 42,882           | 3.13%          | 56,979           | 4.13%          |
| American                         | 298,318          | 22.66%         | 302,713          | 22.50%         | 293,645          | 21.37%         | 293,879          | 21.48%         | 336,958          | 24.41%         |
| American Connection / Transtates | -                | N/A            | 57,765           | 4.29%          | -                | N/A            | -                | N/A            | -                | N/A            |
| American Eagle                   | 56,584           | 4.30%          | -                | N/A            | 66,678           | 4.85%          | 39,387           | 2.88%          | 19,456           | 1.41%          |
| American/ Express Jet            | -                | N/A            | -                | N/A            | -                | N/A            | 22,280           | 1.63%          | 8,190            | 0.59%          |
| American /Mesa /Envoy            | -                | N/A            | -                | N/A            | 9,475            | 0.69%          | 15,739           | 1.15%          | 12,582           | 0.91%          |
| American / US Airways            | -                | N/A            | -                | N/A            | -                | N/A            | 42,385           | 3.10%          | 45,931           | 3.33%          |
| American/SkyWest                 | -                | N/A            | -                | N/A            | -                | N/A            | -                | 0.00%          | 2,467            | 0.18%          |
| Continental                      | 15,950           | 1.21%          | -                | N/A            | -                | N/A            | -                | N/A            | -                | N/A            |
| Continental Express              | 86,459           | 6.57%          | -                | N/A            | -                | N/A            | -                | N/A            | -                | N/A            |
| Continental Express/Colgan       | 62               | 0.00%          | -                | 0.00%          | -                | N/A            | -                | N/A            | -                | N/A            |
| Delta                            | 39,833           | 3.03%          | 54,002           | 4.01%          | 76,875           | 5.60%          | 107,113          | 7.83%          | 100,063          | 7.25%          |
| Delta Connection / ASA           | 79,085           | 6.01%          | 85,536           | 6.36%          | 65,026           | 4.73%          | 40,665           | 2.97%          | 47,812           | 3.46%          |
| Delta Connection / Comair        | 449              | 0.03%          | -                | N/A            | -                | N/A            | -                | N/A            | -                | N/A            |
| Delta Connection/Compass         | 5,289            | 0.40%          | 31               | 0.00%          | -                | N/A            | 1,096            | 0.08%          | 3,578            | 0.26%          |
| Delta/Pinnacle/Endeavor          | -                | N/A            | -                | N/A            | -                | N/A            | 3,879            | 0.28%          | 5,629            | 0.41%          |
| Delta Connection / SkyWest       | 32,019           | 2.43%          | 26,435           | 1.97%          | 30,247           | 2.20%          | 37,421           | 2.73%          | 35,693           | 2.59%          |
| Frontier                         | -                | N/A            | 138              | 0.01%          | -                | N/A            | -                | N/A            | -                | N/A            |
| Miami Air                        | -                | N/A            | -                | N/A            | -                | N/A            | -                | N/A            | 272              | 0.02%          |
| Northwest Airlink / Pinnacle     | 36,710           | 2.79%          | 18,494           | 1.37%          | 16,043           | 1.17%          | -                | N/A            | -                | N/A            |
| Southwest                        | 482,179          | 36.62%         | 509,152          | 37.85%         | 482,598          | 35.13%         | 461,705          | 33.74%         | 454,881          | 32.96%         |
| Sun Country/MN Airlines          | -                | N/A            | -                | N/A            | 1,479            | 0.11%          | 2,377            | 0.17%          | 1,992            | 0.14%          |
| United                           | 16,600           | 1.26%          | 16,923           | 1.26%          | 1,852            | 0.13%          | 44,506           | 3.25%          | 48,970           | 3.55%          |
| United / Other                   | 6,397            | 0.49%          | 22,968           | 1.71%          | -                | N/A            | -                | N/A            | -                | N/A            |
| United Express / Express Jet     | 97,141           | 7.38%          | 187,785          | 13.96%         | 141,588          | 10.31%         | 96,252           | 7.03%          | 94,854           | 6.87%          |
| United Express / GoJet           | -                | N/A            | -                | N/A            | 34,903           | 2.54%          | 20,765           | 1.52%          | 21,313           | 1.54%          |
| United Express / Mesa            | -                | N/A            | -                | N/A            | 11,881           | 0.86%          | 38,057           | 2.78%          | 17,128           | 1.24%          |
| United Express/Republic          | -                | N/A            | -                | N/A            | 651              | 0.05%          | 66               | 0.00%          | 20,498           | 1.49%          |
| United Express / SkyWest         | 60,668           | 4.61%          | 44,539           | 3.31%          | 47,799           | 3.48%          | 41,347           | 3.02%          | 33,912           | 2.46%          |
| United Express / Trans State     | -                | N/A            | 5,482            | 0.41%          | 29,799           | 2.17%          | 15,729           | 1.15%          | 10,402           | 0.75%          |
| U.S. Airways                     | -                | N/A            | -                | N/A            | 37,900           | 2.76%          | -                | N/A            | -                | N/A            |
| Other                            | 2,911            | 0.22%          | 13,248           | 0.98%          | 932              | 0.07%          | 770              | 0.06%          | 739              | 0.05%          |
|                                  | <u>1,316,654</u> | <u>100.00%</u> | <u>1,345,211</u> | <u>100.00%</u> | <u>1,373,832</u> | <u>100.00%</u> | <u>1,368,300</u> | <u>100.00%</u> | <u>1,380,299</u> | <u>100.00%</u> |

**Tulsa Airports Improvement Trust**  
**(A Component Unit of the City of Tulsa, Oklahoma)**  
**Statistical Information (Unaudited)**  
**Year Ended June 30, 2017**

**Airline – Air Cargo Landed Weight (in pounds):**

| Airline / Air Cargo Carrier          | FY 2013              |                | FY 2014              |                | FY 2015              |                | FY 2016              |                | FY 2017              |                |
|--------------------------------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|----------------------|----------------|
|                                      | Pounds               | % of Total     |
| Allegiant Air, LLC                   | 1,838,000            | 0.09%          | 10,213,178           | 0.49%          | 22,489,974           | 1.10%          | 42,722,015           | 2.18%          | 59,111,065           | 2.93%          |
| American                             | 416,185,500          | 19.76%         | 411,061,400          | 19.75%         | 409,217,700          | 20.00%         | 352,657,500          | 17.97%         | 398,264,600          | 19.76%         |
| American Eagle / Envoy               | 64,931,370           | 3.08%          | 64,507,090           | 3.10%          | 77,955,746           | 3.81%          | 44,145,231           | 2.25%          | 20,491,343           | 1.02%          |
| American / Express Jet               | -                    | N/A            | -                    | N/A            | -                    | N/A            | 23,687,292           | 1.21%          | 9,626,554            | 0.48%          |
| American/ Envoy/ Mesa                | -                    | N/A            | -                    | N/A            | 11,244,000           | 0.55%          | 20,633,000           | 1.05%          | 14,077,000           | 0.70%          |
| American/ SkyWest                    | -                    | N/A            | -                    | N/A            | -                    | N/A            | -                    | N/A            | 4,002,000            | 0.20%          |
| American/ US Airways                 | -                    | N/A            | -                    | N/A            | 48,599,950           | 2.38%          | 48,805,000           | 2.49%          | 51,906,800           | 2.58%          |
| Continental                          | 27,049,100           | 1.28%          | -                    | N/A            | -                    | N/A            | -                    | N/A            | -                    | N/A            |
| Continental Express (Colgan)         | 124,000              | 0.01%          | -                    | N/A            | -                    | N/A            | -                    | N/A            | -                    | N/A            |
| Continental Express (ExpressJet)     | 41,841,510           | 1.99%          | -                    | N/A            | -                    | N/A            | -                    | N/A            | -                    | N/A            |
| Delta                                | 59,476,900           | 2.82%          | 73,986,000           | 3.55%          | 102,449,000          | 5.01%          | 134,310,600          | 6.84%          | 125,777,300          | 6.24%          |
| Delta / Compass                      | -                    | N/A            | -                    | N/A            | -                    | N/A            | -                    | N/A            | 5,144,223            | 0.26%          |
| Delta Connection (ASA) (Express Jet) | 107,091,200          | 5.08%          | 113,907,700          | 5.47%          | 84,555,500           | 4.13%          | 51,082,900           | 2.60%          | 62,842,800           | 3.12%          |
| Delta Connection (Comair)            | 705,000              | 0.03%          | -                    | N/A            | -                    | N/A            | -                    | N/A            | -                    | N/A            |
| Delta Connection (Compass)           | 8,804,188            | 0.42%          | -                    | N/A            | -                    | N/A            | 1,275,143            | 0.06%          | -                    | N/A            |
| Delta Connection (Express Jet)       | -                    | N/A            | 75,177               | 0.00%          | -                    | N/A            | -                    | N/A            | -                    | N/A            |
| Delta (Pinnacle) (Endeavor)          | 46,438,800           | 2.20%          | 22,292,400           | 1.07%          | 20,602,100           | 1.01%          | 5,473,100            | 0.28%          | 8,082,700            | 0.40%          |
| Delta Connection (SkyWest)           | 42,321,500           | 2.01%          | 34,772,000           | 1.67%          | 37,035,800           | 1.81%          | 45,409,200           | 2.31%          | 45,298,500           | 2.25%          |
| Frontier                             | -                    | N/A            | 268,964              | 0.01%          | -                    | 0.00%          | -                    | N/A            | -                    | N/A            |
| Southwest                            | 683,022,000          | 32.42%         | 714,524,000          | 34.33%         | 595,800,000          | 29.12%         | 556,814,000          | 28.37%         | 581,014,000          | 28.83%         |
| Sun Country / Mn Airlines            | 2,778,200            | 0.13%          | 3,913,200            | 0.19%          | 3,053,700            | 0.15%          | 6,307,500            | 0.32%          | 6,002,700            | 0.30%          |
| United                               | 28,435,800           | 1.35%          | 25,567,800           | 1.23%          | 2,194,500            | 0.11%          | 67,996,200           | 3.46%          | 76,639,000           | 3.80%          |
| United Express / Express Jet         | 163,610,314          | 7.77%          | 206,221,236          | 9.91%          | 157,643,985          | 7.70%          | 100,204,680          | 5.11%          | 98,844,210           | 4.90%          |
| United Express / GoJet               | 11,926,000           | 0.57%          | 31,557,000           | 1.52%          | 42,813,000           | 2.09%          | 23,919,000           | 1.22%          | 25,929,000           | 1.29%          |
| United Express / Mesa                | -                    | N/A            | -                    | N/A            | 16,604,100           | 0.81%          | 51,456,300           | 2.62%          | 22,395,100           | 1.11%          |
| United Express / Republic            | -                    | N/A            | -                    | N/A            | -                    | N/A            | -                    | N/A            | 28,518,630           | 1.42%          |
| United Express / SkyWest             | 81,521,000           | 3.87%          | 56,043,000           | 2.69%          | 58,277,700           | 2.85%          | 46,724,800           | 2.38%          | 37,798,100           | 1.88%          |
| United Express / Transtates          | -                    | N/A            | 6,041,958            | 0.29%          | 32,697,322           | 1.60%          | 18,102,600           | 0.92%          | 11,683,150           | 0.58%          |
| US Airways Charter                   | -                    | N/A            | -                    | N/A            | 97,000               | 0.00%          | -                    | N/A            | -                    | N/A            |
| Other Non-Sig Passenger Carriers     | 3,452,746            | 0.16%          | 2,634,452            | 0.13%          | 3,989,545            | 0.19%          | 3,377,230            | 0.17%          | 5,176,698            | 0.26%          |
| Ameriflight                          | 8,384,946            | 0.40%          | 7,846,894            | 0.38%          | 7,787,700            | 0.38%          | 7,933,046            | 0.40%          | 9,021,420            | 0.45%          |
| Federal Express                      | 191,249,700          | 9.08%          | 182,675,700          | 8.78%          | 203,559,400          | 9.95%          | 199,551,300          | 10.17%         | 187,344,900          | 9.30%          |
| Federal Express/Empire               | 11,075,309           | 0.53%          | 11,357,717           | 0.55%          | 10,731,504           | 0.52%          | 9,746,492            | 0.50%          | 11,719,267           | 0.58%          |
| Federal Express / Mountain Air Cargo | 36,160               | 0.00%          | 1,342,556            | 0.06%          | 202,616              | 0.01%          | 202,616              | 0.01%          | -                    | N/A            |
| Martinaire                           | 4,394,500            | 0.21%          | 4,386,000            | 0.21%          | 4,479,500            | 0.22%          | 4,454,000            | 0.23%          | 4,292,500            | 0.21%          |
| UPS                                  | 87,186,360           | 4.14%          | 86,183,600           | 4.14%          | 89,450,560           | 4.37%          | 88,398,720           | 4.50%          | 99,767,200           | 4.95%          |
| Other Cargo Carriers                 | 12,710,804           | 0.60%          | 9,803,055            | 0.47%          | 2,635,760            | 0.13%          | 7,056,364            | 0.36%          | 4,628,798            | 0.23%          |
| <b>Totals</b>                        | <b>2,106,590,907</b> | <b>100.00%</b> | <b>2,081,182,077</b> | <b>100.00%</b> | <b>2,046,167,662</b> | <b>100.00%</b> | <b>1,962,445,829</b> | <b>100.00%</b> | <b>2,015,399,558</b> | <b>100.00%</b> |



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## SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE-AIRPORT USE AND LEASE AGREEMENTS

Each Airline with which the Airport Trustees have entered into a separate Airline-Airport Use and Lease Agreement is hereinafter referred to as a “Signatory Airline”. All Airline-Airport Use and Lease Agreements are substantially identical, with the principal difference being the amount of space leased and thus the specific dollar amount of rentals payable thereunder.

The following is a summary of certain provisions of the Airline-Airport Use and Lease Agreements. This summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to all of the terms and provisions of the Airline-Airport Use and Lease Agreements, copies of which are available for inspection at the principal offices of the Airport Trustees and the Bond Trustee. Capitalized words or phrases have the meanings given such words or phrases in the Airline-Airport Use and Lease Agreements. The Airline-Airport Use and Lease Agreements are sometimes referred to, both in this summary and in this Official Statement, merely as “Use and Lease Agreements”. The definitions of words and phrases in the Use and Lease Agreements do not necessarily correspond with the definitions of similar words and phrases in the Bond Indenture and the Lease.

### **Term**

Each Use and Lease Agreement is for a term continuing until June 30, 2019, unless otherwise terminated in accordance with its terms. Notwithstanding the expiration of the term of the Use and Lease Agreements, the rate covenants of the Airport Trustees contained in the Bond Indenture will continue to be effective. See “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE – Covenant as to Rates, Rentals, Fees and Charges”.

### **Use of Airport and Related Facilities**

Each Signatory Airline is entitled to use of the Airport in common with others authorized to do so. Such use includes the right (i) to use facilities, equipment and improvements at the Airport for the operation of an Air Transportation Business for the carriage by Aircraft of persons, cargo or property as a common airline for compensation or hire, or the carriage of mail, by Aircraft, in commerce (ii) to land, take-off, load, unload, repair, condition, service, park and store Aircraft and other equipment; (iii) to hire and train personnel; and (iv) to purchase gasoline, fuel, lubricating oil, grease, food and any other materials and supplies. A Signatory Airline's space is characterized as its Leased Premises, which includes its Exclusive Use Premises, its Preferential Use Premises and its Ramp Premises. As indicated by its designation, Exclusive Use Premises is that portion of its Leased Premises which the Signatory Airline has exclusive use of under the Use and Lease Agreement, such as Ticket Counter Positions, operations areas, and training offices. Preferential Use Premises means Gate Positions within a Signatory Airline's Leased Premises which the Signatory Airline has Preferential Use of under its Use and Lease Agreement, but the Airport Trustees have the right to reassign one or more of such Gate Positions to another Signatory Airline if (i) the Airport Trustees determine that there is a reasonable need for the preferential use of such Gate Position(s) by another Signatory Airline and (ii) certain gate utilization rates are not met by the Signatory Airline already holding such Gate Positions.

### **Terminal Rents**

Terminal Rents are calculated according to a typical commercial compensatory methodology. A typical commercial compensatory methodology provides for an allocation of the Terminal total operating expense over the square feet of leasable space. The amount of Terminal Rents, including baggage fees, that the Signatory Airlines are required to pay in Fiscal Year 2019 are capped, in the aggregate among all Signatory Airlines, at \$5.0 million.

### **Landing Fees**

Each Signatory Airline is also required to pay a landing fee based on landings of Aircraft at the Airport. For each landing by a Signatory Airline at the Airport it is assumed that the weight of the Aircraft is the maximum

certificated gross landed weight, in 1,000 pound units, as stated in the flight operations manual for such aircraft (the "Maximum Landed Weight"). The monthly Landing Fee owed by an Airline is based on the Maximum Landed Weight of each Revenue Aircraft Arrival landing at the Airport. The Landing Fee for Fiscal Year 2018 and Fiscal Year 2019 is \$3.62 per 1,000 pounds of Maximum Landed Weight compared to the Fiscal Year 2017 rate of \$3.41. The amount of Landing Fees that the Signatory Airlines are required to pay in Fiscal Year 2019 are capped, in the aggregate among all Signatory Airlines, at \$6.5 million.

### **Extraordinary Coverage Protection**

Under the Use and Lease Agreement, there is an "Extraordinary Coverage Protection" provision which allows the Airport Trustees to adjust the Terminal Rental Rates, Signatory Passenger Airline Loading Bridge Rental Rates and Signatory Landing Fee Rates upon thirty (30) days' written notice if the Airport Trustees estimate that it will not meet the Rate Covenant requirements for any Fiscal Year during the term of the Use and Lease Agreement.

### **Rentals, Charges and Landing Fees for Non-Signatory Airlines**

Non-Signatory Airlines pay a premium over the Turnaround Common Use Fee for any given fiscal year applicable to Signatory Airlines for the use of Common Use Gates. In addition, the Non-Signatory Landing Fee Rate Fiscal Year 2018 included a fifty percent (50%) premium and Fiscal Year 2019 includes a twenty five percent (25%) premium over the Signatory Landing Fee Rate.

### **Agreement Not to Offer More Favorable Terms**

During the term of the Use and Lease Agreements, the Airport Trustees are not permitted to enter into any agreement with any other airline containing materially more favorable terms than those provided in the Use and Lease Agreements or grant to any airline providing Scheduled Service at the Airport rights or privileges with respect to the Airport that are not accorded a Signatory Airline under its Use and Lease Agreement, unless the same rights, terms and privileges are concurrently made available to such Signatory Airline.

### **Capital Expenditures**

The Use and Lease Agreements includes a "pre-approved" capital improvement program. In addition to the Capital Projects included in the pre-approved capital improvement program, the Airport Trustees have the option to include the cost of additional Capital Projects in the calculation of rentals, fees and charges up to \$1,650,000 per Fiscal Year without Signatory Airline approval. Future proposed Capital Projects which exceed the threshold annual allowance and are not otherwise exempt, must follow the Signatory Airline Consultation Process, under which Capital Projects are deemed approved by the Signatory Airlines unless they are specifically disapproved by a Majority-in-Interest.

### **Maintenance and Operation of Airport**

The Airport Trustees shall use reasonable efforts to efficiently maintain and operate the Airport in an orderly, clean, neat, safe and sanitary condition and in a state of reasonably good repair consistent with airports of similar size. In addition, the Airport Trustees must maintain and operate the Airport facilities to conform to the requirements of the FAA, TSA and other governmental agencies and regulatory authorities having jurisdiction over the Airport. The Airport Trustees must also use their reasonable efforts to keep the Airport and its approaches free from obstruction, congestion and interference for the safe, convenient and proper use of the Airport by the Signatory Airlines.

### **Damage or Destruction; Insurance; Indemnity**

In the event that any improvements owned by the Airport Trustees or the City on a Signatory Airline's Leased Premises are partially or totally damaged by fire, explosion, the elements, public enemy or other similar casualty for which such Signatory Airline is not responsible:

(i) If the damage directly or indirectly affects its use of its Leased Premises but does not render such space untenable, the damage must be repaired with due diligence by the Airport Trustees at the expense of the Airport Trustees with no rent abatement.

(ii) If the damage renders its Leased Premises or any portion thereof untenable but capable of being repaired, it must be repaired with due diligence by the Airport Trustees at the expense of the Airport Trustees. Rents shall be paid up to the date of such damage and thereafter will abate until such time as the space or such portion thereof is restored to usable condition by the Airport Trustees.

(iii) If the damage renders its Leased Premises or any portion thereof untenable and incapable of being repaired, the Airport Trustees must notify the Signatory Airline of the projected time required for the repair within a period of sixty (60) days from the date of the damage, but the Airport Trustees are under no obligation to replace or reconstruct such Leased Premises or portion thereof. Rents payable with respect to such space must be proportionally paid up to the date of such damage and thereafter will abate until replacement or reconstructed space is available for use by the Signatory Airline. If the damaged space has not been restored to usable condition for the Signatory Airline, or the Airport Trustees are not diligently pursuing such restoration within twelve (12) months after the date of the damage or destruction, the Signatory Airline will have the right to terminate the Use and Lease Agreement only to the extent it relates to the damaged space as of the date of damage or destruction.

Each Signatory Airline must carry and keep in force (i) commercial general liability, bodily injury and property damage insurance by an insurance company authorized and qualified to do business in the State of Oklahoma in an amount not less than \$300,000,000 combined single limit; (ii) auto liability insurance in an amount not less than \$3,000,000 combined single limit; (iii) employer's liability insurance in an amount not less than \$1,000,000 and (iv) workers' compensation insurance as required by law.

Each Signatory Airline must indemnify, protect, defend and hold completely harmless the Airport Trustees, the Authority and the City, and their trustees, officers, agents, volunteers and employees from and against all liability, losses, suits, causes of action, claims, judgments, expenses, penalties, fines, demands, proceedings (including, without limiting the generality of the foregoing, Worker's Compensation) or costs of any kind resulting from any accident or injury to, or death of, any person or damage to any property, including all reasonable costs for investigation and defense thereof (including attorney fees, court costs, consultant and expert fees), arising out of or alleged to arise out of the Signatory Airline's use, occupancy or operations of its Leased Premises or at the Airport, or the rights, licenses or privileges granted to it under its Use and Lease Agreement, or the acts or omissions of Signatory Airline's officers, agents, employees, contractors, subcontractors, licensees, suppliers or invitees, regardless of where the injury, death or damage may occur, except to the extent such injury, death or damage is caused by the sole negligence or willful misconduct of the Airport Trustees, the Authority and the City, and their trustees, officers, agents, volunteers and employees. The Airport Trustees must give the Signatory Airline notice of any such liability, loss, suit, claim or demand with respect to such indemnification and the Signatory Airline shall defend the same to the extent of the Signatory Airline's interest therein.

### **Assignment or Sublease**

A Signatory Airline may not assign, sublet or encumber Signatory Airline's Leased Premises without the prior written consent of the Airport Trustees, except that a Signatory Airline may (i) assign its Use and Lease Agreement or sublet the entire Signatory Airline's Leased Premises to any entity which owns all of the issued and outstanding common stock of Signatory Airline or to a wholly owned subsidiary corporation or (ii) assign its Use and Lease Agreement to (a) any entity resulting from the consolidation or merger of Signatory Airline into or with any other business organization or (b) any person, firm, corporation or other entity acquiring all of the issued and outstanding capital stock, partnership interests or membership interests (as applicable) or all or substantially all of the assets of Signatory Airline. Notwithstanding any such assignment or sublease, Signatory Airline shall remain liable to the Airport Trustees for the performance and observance of all of the terms, conditions, agreements and covenants to be performed by it under its Use and Lease Agreement.

The Airport Trustees may transfer or assign the Use and Lease Agreements to any successor-in-interest to whom the Airport may be sold or assigned; however, the successor-in-interest shall execute and deliver to the

Airport Trustees, with a copy to the Signatory Airlines, an instrument assuming the obligations of the Airport Trustees and the City under the Use and Lease Agreements.

## Defaults

The following are events of default as to the Signatory Airlines under the Use and Lease Agreements:

1. If Signatory Airline shall fail to pay when due and owing any Rents payable under the Use and Lease Agreement, and such nonpayment shall continue for thirty (30) days after Signatory Airline's receipt of written notice;
2. If Signatory Airline shall (i) mortgage, pledge, or encumber any portion of its interest in the Use and Lease Agreement, (ii) subject Signatory Airline's Leased Premises to any lien or encumbrance of whatsoever nature or (iii) transfer or assign, either voluntarily or by operation of law, any portion of its interest in the Use and Lease Agreement, except in accordance with the provisions thereof;
3. If Signatory Airline shall fail to take possession of Signatory Airline's Leased Premises;
4. If Signatory Airline shall terminate its corporate or other legal structure, except as permitted in the Use and Lease Agreement;
5. If Signatory Airline shall fail to comply with the insurance provisions imposed by the Use and Lease Agreement;
6. If Signatory Airline shall file a petition requesting relief or instituting proceeding under any act, state or federal, relating to the subject of bankruptcy or insolvency, or an involuntary petition in bankruptcy or any other similar proceeding shall be instituted against Signatory Airline and continue for ninety (90) days; or a receiver of all or substantially all of the property or assets of Signatory Airline shall be appointed and the receiver shall not be dismissed for sixty (60) days or if Signatory Airline shall make any assignment for the benefit of Signatory Airline's creditors insofar as the enumerated remedies for default are provided for or permitted in such state or federal code;
7. If Signatory Airline shall fail to observe or perform any conditions, covenants, obligations, or requirements or terms under the Use and Lease Agreement or commits an event of default as provided in the Use and Lease Agreement and such breach, failure, or event of default shall continue remedied or uncured for thirty (30) days after written notice specifying such default, provided Signatory Airline may be granted such additional time as is reasonably required to correct any such default if Signatory Airline has instituted corrective action and is diligently pursuing the same.

Whenever an event of default by Signatory Airline shall occur and the same shall not have been cured or remedied by Signatory Airline, Airport Trustees may pursue any available right or remedy at law or equity, including termination. At their exclusive option, Airport Trustees may deliver to Signatory Airline written notice of termination, specifying the date upon which the Use and Lease Agreement will terminate. In the event of termination, Signatory Airline's rights, licenses and privileges granted pursuant to this Agreement and to possession of Signatory Airline's Leased Premises shall cease immediately. Upon termination of the Agreement, Signatory Airline shall be liable for payment of all Rents accrued through date of termination in addition to said Rents as may be payable under its Use and Lease Agreement.

In addition to all other remedies available to a Signatory Airline, the Use and Lease Agreement shall be subject to termination by a Signatory Airline, at its election, should any one or more of the following events occur:

1. The abandonment of the Airport facility for longer than sixty (60) days;

2. The issuance of an order or injunction by any court of competent jurisdiction preventing or restraining the use of the Airport facility in such a manner as to substantially restrict Signatory Airline from conducting its Air Transportation Business at the Airport, where such order or injunction was not caused by any act or omission of Signatory Airline; provided that such order or injunction remain in force of such injunction for at least sixty (60) days;
3. The breach by the Airport Trustees of any of the material terms, covenants or conditions of the Use and Lease Agreement to be kept, performed and observed by the Airport Trustees, and the failure of the Airport Trustees to remedy such breach for a period of thirty (30) days after receipt of written notice from Signatory Airline of the existence of such breach;
4. The assumption by the United States Government, or any authorized agency thereof, of the operation, control or use of the Airport or its facilities in such a manner as to substantially restrict Signatory Airline from conducting its Air Transportation Business at the Airport if such restriction by continued for a period of sixty (60) days or more; or
5. The destruction of a significant portion of the Airport or its facilities due to fire, earthquake or any other causes.

### **Condemnation**

If at any time during the Term, Signatory Airline's Leased Premises or the improvements located thereon or any portion thereof shall be taken by exercise of the power of eminent domain by a governmental entity other than the Airport Trustees, the Authority, or the City, the proceeds and awards in the condemnation proceedings shall be divided, and Rents required under the Use and Lease Agreement shall be adjusted in such manner as shall be just and equitable. If the Airport Trustees and Signatory Airline are unable to agree upon a just and equitable division of proceeds and adjustment of Rents within thirty (30) days after rendition of any condemnation award, the matters then in dispute shall be submitted for determination by a court of competent jurisdiction. If Signatory Airline's Leased Premises are taken wholly by condemnation, the Use and Lease Agreement shall terminate.

### **Signatory Cargo Carrier Use and Lease Agreements**

The Airport Trustees have also entered into Signatory Cargo Carrier Use and Lease Agreements with certain cargo carriers. Each of the Signatory Cargo Carrier Use and Lease Agreements contains nearly identical provisions to those located in the Airline-Airport Use and Lease Agreements described above. In order to be eligible to enter into a Signatory Cargo Carrier Use and Lease Agreement with the Airport Trustees, a cargo carrier must also have a valid facility lease agreement (directly or indirectly) to serve the Airport through at least June 30, 2019. Cargo facilities are leased on a per square foot rental rate which is based on local market rates for similar type facilities. Cargo carriers also pay additional miscellaneous fees and charges applicable to the cargo carrier's activities at the Airport from a "Schedule of Rates, Fees and Charges" set forth as a schedule to such cargo carrier's Signatory Cargo Carrier Use and Lease Agreement.

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## SUMMARY OF CERTAIN PROVISIONS OF THE LEASE

The following is a summary of certain provisions of the Lease between the City, acting by and through the Authority, and the Airport Trustees. Such summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to all of the terms and provisions of the Lease, as it currently exists, or as may be hereafter amended with the consent of the Airport Trustees and the City, copies of which are available for inspection at the principal offices of the Airport Trustees and the Bond Trustee. Capitalized words or phrases have the meanings given such words or phrases in the Lease. The definitions of words and phrases in the Lease do not necessarily correspond with the definitions of similar words and phrases in the Bond Indenture and the Use and Lease Agreements.

### Leased Property

Under the terms of the Lease, the City has leased to the Airport Trustees all of the City's interest, rights, duties and obligations in and to (i) the Airports, defined in the Lease to include, *inter alia*, the Tulsa International Airport, the R. L. Jones Airport and all other airports or heliports, other than police and emergency fire heliports of the City, and related facilities owned, leased or acquired by the City; (ii) all unexpired and future Use and Lease Agreements and all other unexpired leases and contracts executed or to be executed by the City and third parties regarding the Airports or any goods or services provided at the Airports; and (iii) all Airport Income, defined in the Lease as all income, revenues, and moneys derived from the operation and management of the Airports, or the furnishing and supplying of the services, facilities, and commodities thereof, and, without limiting the generality of the foregoing, shall include all income, revenues and moneys derived from the rates, rentals, fees, and charges fixed, imposed, and collected, or otherwise derived from or arising through the operation and management of the Airports, or derived from the rental of all or part of the Airports, including income derived from any Special Facility Lease (as defined in the Bond Indenture), or from the sale or rental of any commodities or goods in connection with the Airports; and (iv) all property, real or personal, tangible or intangible, together with all rights and privileges appertaining or relating thereto, which may be acquired in the name of the City for use in connection with the Airports; provided all such property, including all income therefrom, immediately upon its acquisition shall be part of the premises demised and leased under the Lease.

### Term of Lease

The original Lease by and between the City of Tulsa, Oklahoma, by and through the Tulsa Airport Authority, and the Tulsa Airports Improvement Trust was for a term commencing on October 1, 1978 and ending on June 30, 2013, or on such later date on which all Bonds of the Airport Trustees issued in connection with the Airports have been paid or provision for the payment thereof has been made (the "Term"). The Term may be extended for one extended term of 25 years, at the option of the Airport Trustees, upon complying with certain terms and conditions set forth in the Lease. On December 28, 2011, the Airport Trustees provided notice to the City of Tulsa that they did not intend to exercise the option to extend the term of the Lease but would continue to lease, occupy, operate and maintain the Airports subject to all covenants, terms, conditions, and restrictions of the Lease until the Airport Trustees Amended and Restated Bond Indenture dated November 1, 2009 and any Bonds of the Trustees issued in connection with the Airports, then in existence or issued thereafter, have been paid or provision for the payment thereof have been made. On December 23, 2013, an Amended and Restated Lease Agreement was approved by the City and the Airport Trustees for a term beginning January 1, 2014 through December 31, 2023, or such later date on which all Bonds of the Trustees issued in connection with the Airports have been paid or provision for the payment thereof has been made. TAIT has an option to extend the Term for up to four (4) periods of ten (10) years each.

## **Rent**

During the Term and any extended term of the Lease, the Trust shall pay to the City an annual rental of \$1.00 and other good and valuable consideration.

The City shall not require the Airport Trustees to pay any other rentals, assessments, fees or charges, in lieu of tax or otherwise, for the rights granted by the City to the Airport Trustees in the Lease.

## **Operation and Maintenance of the Airports**

The Airport Trustees have covenanted in the Lease to operate and maintain the Airports as a revenue-producing enterprise in the most efficient manner consistent with sound economy, public advantage and the protection of the holders of the Bonds and to assure that the Airports will be financially self-sufficient and self-sustaining. TAIT shall consult with the City of Tulsa and the Mayor's Office for large scale development projects on the TAIT leasehold that are to the benefit of TAIT and the City of Tulsa. The Airport Trustees shall operate and maintain the Airports in accordance with the requirements imposed: (i) on the Airport Trustees pursuant to the terms and conditions of the Bond Indenture, (ii) the Use and Lease Agreements, and (iii) as an airport operator, as defined by applicable federal law. Neither the City nor the Airport Trustees shall take any action which shall impede or impair the authority or the ability of the Airport Trustees to fulfill all such requirements.

The Airport Trustees have covenanted and agreed in the Lease that at all times during the Term they shall operate and maintain the Airports in such a manner so as to keep all of the properties constituting the Airports in good and efficient repair, working order and operating condition, in conformity with standards customarily followed in the aviation industry for airports of like size and character. The Airport Trustees are authorized and empowered to make repairs, construct additions and improvements, extensions and betterments to the Airports, all of which shall be economically sound, so that at all times the business carried on at the Airports can be conducted in an efficient manner and at reasonable cost. All such repairs to and construction at the Airports shall be financed by the Airport Trustees, or otherwise paid from Airport Income.

The Airport Trustees have further agreed to develop an (a) annual Business Plan that includes annual goals and performance measures established by TAIT, including Airport financial performance, employee and tenant satisfaction, and rates and charges metric benchmarks for the industry, and (b) an annual updated property development plan. TAIT will undergo an assessment every five years by an independent Airport Consultant pursuant to Section 7.1(f) of the Tulsa Airports Improvement Trust Amended and Restated Bond Indenture, and shall file that report with the City Clerk of the City of Tulsa. The report shall include recommendations for any changes in the operation, maintenance and repair of such properties, including changes recommended in the schedule of rates, rentals, fees or charges to provide Gross Revenue sufficient to pay all amounts required under the Bond Indenture. The report will include an analysis of performance trends relative to the baseline conditions at the beginning of the 5-year cycle.

## **Additional Covenants of the Airports Trustees**

*Covenant as to Rates, Rentals, Fees and Charges; Use of Airport Income.* The Airport Trustees have covenanted to impose and revise whenever necessary a schedule of rates, rentals, privileges fees, Passenger Facility Charges, user fees and other fees and charges for the use and services of and the privileges, facilities and commodities conferred or furnished at the Airports such that the Airports will at all times be financially self-sufficient and self-sustaining and will produce Airport Income at least sufficient (i) to pay the principal of and interest and premium, if any, on all Bonds when due (whether at maturity or upon required redemption prior to maturity or otherwise); (ii) to pay when due all other claims, charges or obligations payable from the Airport income; and (iii) and to carry out all provisions and covenants of the Bond Indenture, any Special Obligation Bond Indenture and the Amended and Restated Lease Agreement.

The Airport Trustees covenant and agree to use the Airport Income at all times during the Term exclusively to serve the public and to promote the common good. In furtherance of such objectives, the Airport Trustees shall use the Airport Income: (i) to operate and maintain the Airports; and (ii) to effect additions and improvements to,

and expansions and betterments of, the Airports, and for preserving and protecting the institutional and functional integrity of the Airports in such a manner as shall be reasonably related to the promotion and development of the Airports as destinations of air commerce and as industrial or commercial site.

*Defense of Interest in Airports.* The Airport Trustees have covenanted to continually defend their interest in the Airports for the benefit of the City and the holders of all Bonds against the claims and demands of all persons. The Airport Trustees have agreed that if any defect (other than certain Permitted Encumbrances) is discovered in the title to the Airports they will promptly take such action as may be necessary or proper to remedy or cure the same on behalf of and for the benefit of the City.

*Filing and Recording of Lease; Instruments of Further Assurance.* The Airport Trustees have covenanted to perform or cause to be performed such further acts, as may be reasonable and necessary to carry out the purposes of the Lease, including the filing, registration, recording, re-filing, re-registration, or re-recording of the Amended and Restated Lease Agreement.

*To Complete Acquisitions and Constructions Promptly.* The Airport Trustees have covenanted to proceed with all reasonable dispatch to complete the acquisition and construction of any properties on or to be made a part of the Airports, the costs of which are to be paid from the proceeds of Bonds or from any other moneys held under the Bond Indenture or any Special Obligation Bond Indenture.

*Other Leases and Contracts.* The Airport Trustees have covenanted to perform and enforce all contractual obligations undertaken by TAIT under leases or agreements pertaining to or respecting the Airports.

*Employment of Competent Personnel.* The Airports Trustees have covenanted to employ competent, qualified personnel to operate and maintain the Airports and establish and enforce reasonable policies, procedures, rules, regulations and standards governing the employment of said personnel.

*Books and Accounts; Audits.* In accordance with the terms and conditions of the Bond Indenture, the Airport Trustees have covenanted to maintain and keep proper books, records and accounts of all dealings and transactions relating to the Airports. Such accounts shall show the amount of Airport Income available for the purpose of the Bond Indenture and the Lease, and the application of such Airport Income to the purposes specified in the Bond Indenture and the Lease and all financial transactions in connection therewith.

In accordance with the terms and conditions of the Bond Indenture, the Airport Trustees shall cause the financial accounts to be audited by external, independent certified public accountants or a firm of external, independent CPAs utilized by the City; provided it is understood that the CPAs so utilized shall maintain independent client responsibility to the Airport Trustees.

*Not to Encumber or Dispose of Airport Properties; Condemnation.* The Airport Trustees will not create or give, or permit to be created or given, any mortgage, lien, pledge, charge or other encumbrance upon any real or personal property constituting the Airports or upon the Airport Income and the moneys held under the Bond Indenture or any Special Obligation Bond Indenture without the prior written consent of the City and other than in compliance with the terms and conditions of the Bond Indenture and any Special Obligation Bond Indenture.

The Airport Trustees may execute leases, licenses, easements, and other agreements pertaining to the Airports according to the schedule of rates, rentals, fees and charges of the Airport, which rates, rentals, fees and charges shall be part of the Airport Income and which properties shall remain part of the Airports. Any such leasing shall be consistent with the provisions of the Bond Indenture and the Lease, and no lease may be entered into which might impair or diminish the security of and payment for the Bonds. The Airport Trustees may also enter into one or more Special Facility Leases in accordance with the provisions of the Bond Indenture.

The Airport Trustees may convey and dispose of any property which has been or which shall be purchased with Airport Income or proceeds from the issuance of Bonds, subject to the provision in the Lease requiring consents and approvals. All such conveyances and dispositions shall be in accordance with the terms and conditions of the Bond Indenture and any Special Facility Bond Indenture.

*Insurance.* The Airport Trustees will carry insurance policies payable to the Airport Trustees, the City, the corporate trustee under the Bond Indenture and the corporate trustee under any Special Obligation Bond Indenture, as their interest may appear, against risks, accidents or casualties at least to the extent required by the Bond Indenture, by any Special Obligation Bond Indenture and by the Use and Lease Agreements, and may create special funds for self-insurance against risks to the extent permitted by such agreements. The Airport Trustees may obtain any other insurance with respect to the Airports or the use and occupancy thereof that they may wish to carry or to obtain any insurance in amounts greater than those specifically provided for in the Lease. To the extent permitted by law, the Airport Trustees shall be permitted to self-insure the risks identified above.

*Payment of Taxes and Claims by the Airport Trustees.* The Airport Trustees have agreed to pay when due all taxes, assessments of other governmental charges lawfully imposed upon the Airports or upon the Airport Income, or any required payments in lieu thereof, and all lawful claims for labor, materials and supplies furnished or supplied to the Airports, and keep the Airports and the Airport Income free from judgments, mechanics' and materialmen's liens, and free from all other liens, claims, demands or encumbrances of whatsoever prior nature or character. The Airport Trustees may contest by appropriate proceedings the applicability or validity of any such tax, assessment or governmental charge or payment in lieu thereof, or any claim for labor, material or supplies for work completed or materials or supplies furnished, so long as such contest or proceeding does not impair the security or the payment of the Bonds.

*Prosecution and Defense of Suits.* The Airport Trustees will promptly take such action as may be necessary and proper to remedy or cure any defect in or cloud upon the title to the Airports (except for Permitted Encumbrances), whether now existing or hereafter developing, and will prosecute and defend all such suits, actions and other proceedings as may be appropriate for such purpose, including the defense of their leasehold interest in the Airports.

*Protection of Security.* The Airport Trustees have agreed not to take any action which might prejudice the security or the payment of the Bonds. The Airport Trustees will maintain, preserve and renew all the rights, powers, privileges and franchises now owned by them or hereafter acquired by them with respect to the Airports. The Airport Trustees will not take any action which might impair or diminish the rights, payment or security of the Bonds.

*Compliance with Governmental Requirements; Performance of All Obligations and Covenants Under the Agreement.* The Airport Trustees have covenanted to operate and maintain the Airports to comply with all Governmental Requirements, including those required in order that Tulsa International Airport and Richard Lloyd Jones, Jr. Airport or other airport operated by TAIT, may be utilized for federally approved or allowable activity under the purview of the U.S. Department of Transportation.

## **Covenants of the City**

The City has covenanted and agreed with the Airport Trustees as follows:

*Quiet Enjoyment.* Unless the Airport Trustees shall have defaulted in their obligations under the Lease, they shall have quiet enjoyment of the Airports.

*Cooperation; Condemnation.* The City will cooperate with the Airport Trustees so that such Airport Trustees can efficiently operate the Airports and the other property leased to them under the Lease and meet all obligations payable from Airport Income in the manner and amount provided in the Lease.

The City will also, upon the written request of the Airport Trustees, at any time during the Term of the Lease, promptly institute and diligently prosecute appropriate proceedings in eminent domain to condemn such real

property and interests therein as may be necessary or appropriate, in the opinion of the Airport Trustees, to preserve and protect the institutional or functional integrity of the Airports and to promote the further development of the Airports and the City as a destination for air commerce. The costs and expenses of such proceedings and the damage awards resulting therefrom will be paid by the Airport Trustees unless otherwise agreed to by the parties to the Lease. Title to all such properties and interest so condemned will be taken in the name of the City and, upon title vesting in the City, shall be included in the premises leased to the Airport Trustees under the Lease.

*No Competing Facilities.* The City will not acquire or permit to be acquired any competing facilities unless such facilities are made a part of the Airports and the income therefrom is treated the same as Airport Income under the Lease

### **Issuance of Bonds by Airport Trustees**

The Airport Trustees have agreed to undertake additions and improvements to the Airports from time to time and finance the costs of such additions and improvements, from any available moneys of the Airport Trustees including Bonds. The Airport Trustees may (i) incur indebtedness secured by the Bond Indenture for the Airports; (ii) incur indebtedness secured by one or more Special Obligation Bond Indentures for properties subject to a Special Facility Lease as defined in the Bond Indenture; and (iii) incur subordinate lien indebtedness for any lawful purpose. The Airport Trustees may not incur any indebtedness unless the particular facilities to be financed or purpose for such borrowing and the documents securing such indebtedness are first approved by the City as required by law.

### **Title to Real Property**

All land acquired and improvements (including all additions, extensions and betterments) made by the Airport Trustees to the Airports shall be deemed property leased under the Lease, and title thereto shall vest in the City, upon completion of the project in which the land is acquired or the improvements are made. The Airport Trustees agree to execute all instruments and to take all such other actions necessary to vest title to such property in the City. All other property held or acquired by the Airport Trustees shall remain in the Airport Trustees.

### **Default; Remedies on Default**

Neither the City nor the Airport Trustees shall be in default in the performance of any of their obligations under the Lease until either party shall have failed to perform such obligations for thirty (30) days or such additional time as is reasonably required to correct any such failure of performance, after notice from the other party specifying the non-performance.

In the event of a default under the Lease, the aggrieved party may enforce its rights thereunder by appropriate judicial proceedings.

### **Miscellaneous Provisions**

*Promulgation of Rules and Regulations.* Any governmental rule or regulation with respect to the use and operation of the Airports adopted or imposed by the Airport Trustees is subject to the City's approval.

*Nondiscrimination.* The Airport Trustees shall not discriminate against any person or group of persons in any manner prohibited by any Governmental Requirement.

*Right of Ingress and Egress.* Any authorized representative of the City has the right to enter upon the premises of the Airports at any reasonable time for the purpose of inspection or for any purpose incident to the enforcement of its rights or the performance of its obligations under the Lease or in the exercise of any of its governmental functions, subject to compliance with the Airport Security Plan and all Governmental Requirements.

*Assignment or Subletting.* The City and the Airport Trustees have agreed not to assign, sell, sublease or otherwise dispose of the Lease or its or their interest, rights, duties and obligations thereunder except as provided in the Lease.

***(Remainder of Page Intentionally Blank)***

**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE**

The following is a summary of certain provisions of the Indenture. Such summary does not purport to be comprehensive or definitive and is qualified in its entirety by reference to all of the terms and provisions of the Indenture, copies of which are available for inspection at the principal offices of the Airport Trustees and the Bond Trustee. Capitalized words or phrases which are not defined in this Official Statement or conventionally capitalized have the meanings given such words or phrases in the Indenture. The definitions of words and phrases in the Indenture do not necessarily correspond with the definitions of similar words and phrases in the Lease and the Use and Lease Agreements.

**Definition of Certain Terms**

*“Accountant”* shall mean the independent certified public accountant or firm of independent certified public accountants of recognized standing employed by the Airport Trustees to perform the audit required by, and possessing the qualifications specified in, the Indenture.

*“Airport Improvement Fund”* shall mean the special trust fund of the Airport Trustees designated as the “Tulsa Airports Improvement Trust Airport Improvement Fund” created and established under, and to be held and administered by the Bond Trustee as provided in the Indenture.

*“Airport Special Reserve Fund”* shall mean the fund, and any accounts therein, held under the Original Bond Indenture prior to the effectiveness of the Amended and Restated Bond Indenture and eliminated as of the date of Amended and Restated Bond Indenture.

*“Bond” or “Bonds”* shall mean any indebtedness secured on a parity under the Indenture, whether issued as Bonds, Commercial Paper, Support Facility Obligations or otherwise, and shall mean any bond, some of the bonds or all of the bonds at any time Outstanding under and pursuant to the Indenture including, but not limited to, any Additional Bonds issued pursuant to the Indenture at any time Outstanding, any Refunding Bonds issued pursuant to the Indenture at any time Outstanding and any Support Facility Obligation with payments due and owing to the provider of a Support Facility, but shall not include any Special Obligation Bonds as defined in the Indenture.

*“Bond Counsel”* shall mean any attorney at law or firm of attorneys selected by the Airport Trustees, of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States or the District of Columbia, acceptable to the Bond Trustee.

*“Bond Fund”* shall mean the special trust fund of the Airport Trustees designated as the “Tulsa Airports Improvement Trust Bond Fund” created and established under the Indenture, and to be held and administered by the Bond Trustee.

*“Bond Reserve Account”* shall mean the account or accounts of such name in the Bond Reserve Fund as created and described in the Indenture and a Supplemental Indenture.

*“Bond Reserve Fund”* shall mean the special trust fund of the Airport Trustees designated as the “Tulsa Airports Improvement Trust Bond Reserve Fund” created and established under, and to be held and administered by the Bond Trustee as provided in the Indenture and unless the context shall clearly indicate otherwise, shall include any accounts created thereunder.

*“Bond Reserve Requirement”* shall mean with respect to each series of Bonds, that amount required, if any, to be held in the Bond Reserve Fund, or any account established therein, in accordance with the applicable Supplemental Indenture.

“*Bondholder*” or “*holder of a Bond*” shall mean the registered owner or his duly authorized attorney-in-fact, representative, or assigns.

“*Business Day*” shall mean any day that (i) is not a Saturday, Sunday or legal holiday in the State of New York or the State of Oklahoma; (ii) is not a day on which banking institutions chartered by the State of New York or the State of Oklahoma or the United States of America are legally required or authorized to close; and (iii) is not a day on which the New York Stock Exchange is closed.

“*Commercial Paper*” shall mean notes or other obligations of the Airport Trustees with a maturity of not more than two hundred seventy (270) days from the date of issuance and which are issued and reissued from time to time pursuant to a Program adopted by the Airport Trustees.

“*Commercial Paper Program*” shall mean a Program authorized by the Airport Trustees pursuant to which Commercial Paper shall be issued and reissued from time to time, up to the authorized amount of such Program.

“*Construction Fund*” shall mean the special trust fund of the Airport Trustees designated as the “Tulsa Airports Improvement Trust Construction Fund” created and established under, and to be held and administered by the Bond Trustee as provided in the Indenture and unless the context shall clearly indicate otherwise, any Construction Account or Construction Interest Account hereafter created therein.

“*Construction Interest Account*” shall mean the account of such name in the Construction Fund as created and described in the Indenture.

“*Debt Service*” shall mean the total, as of any particular date of computation and for any particular period or year, of the aggregate amount required pursuant to the Indenture to be deposited during such period or year in the Bond Fund to provide for the payment of interest (to the extent not capitalized) and principal on the Bonds. The Indenture provides express directions as to how Debt Service for Variable Rate Bonds, Commercial Paper and Support Facility Obligations is calculated.

“*Dedicated Revenues*” means passenger facility and other similar charges, state and/or federal grants or other moneys that are not Gross Revenues under the Indenture, but which the Airport Trustees have dedicated to pay an amount equal to 1.25 times principal of and/or interest on Bonds in the manner provided in the Indenture.

“*Financial Institution*” shall mean any issuer or issuers of the Support Facility, its successors and assigns.

“*Fiscal Year*” shall mean the fiscal year of the Airport Trustees as established from time to time by the Airport Trustees, which as of the date of effectiveness of the Indenture is the twelve-month period commencing on July 1 of each calendar year and ending on June 30 of the immediately succeeding calendar year.

“*Governmental Obligations*” shall mean any of the following which are non-callable and which at the time are legal investments for the moneys proposed to be invested therein: (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America; (ii) bonds, debentures or notes issued by any of the following federal agencies: Banks for Cooperatives, Federal Intermediate Credit Banks, Federal Home Loan Bank System, Export-Import Bank of the United States, Federal Land Banks, Federal National Mortgage Association or Government National Mortgage Association (including Participation Certificates issued by either Association), United States Postal Service or Federal Financing Bank; (iii) New Housing Authority Bonds, Temporary Notes, or Preliminary Loan Notes, fully secured by contracts with the United States; or (iv)(A) full faith and credit, direct and general obligations of any State or unlimited tax direct and general obligations of any political subdivision thereof to the payment of which the full faith and credit of such subdivision is pledged; *provided* that at the time of purchase such obligations are rated in either of the two highest rating categories by two nationally recognized bond rating agencies, or (B) long-term obligations of any State or any political subdivision thereof the entire principal of and interest on which is insured for the entire term thereof pursuant to an irrevocable municipal bond insurance policy and which obligations are rated by two (2) nationally recognized bond rating agencies in the highest rating category; and, in either case, are legal investments for

fiduciaries in both New York and Oklahoma. (See “Discharge of Liens and Pledges; Bonds No Longer Outstanding Under Indenture” herein).

“*Gross Revenues*” shall mean and include all income, revenues and moneys derived from the Airports by the Airport Trustees under the Lease, or the furnishing and supplying of the services, facilities and commodities thereof, and, without limiting the generality of the foregoing, shall include (i) all income, revenues, and moneys derived from the rates, rentals, fees and charges (including customer facility charges) fixed, imposed and collected or accrued by the Airport Trustees pursuant to the Indenture or otherwise derived from or arising through the operation and management of the Airports by the Airport Trustees under the Lease, or derived from the rental of all or part of the Airports or from the sale or rental of any commodities or goods in connection with the Airports; (ii) to the extent provided in the Indenture, earnings on the investment of the proceeds of Bonds; (iii) to the extent provided in the Indenture, earnings on the investment of moneys held under the Indenture and the proceeds of the sale of any such investments; and (iv) to the extent provided in the Indenture, income derived by the Airport Trustees under the Lease, or otherwise derived by the Airport Trustees and deemed Gross Revenues pursuant to the Indenture. The term “Gross Revenues” shall not include (a) moneys received as proceeds from the sale of Bonds or any other bonds, notes or evidences of indebtedness or as grants or gifts, the use of which is limited by the grantor or donor, except to the extent that any such moneys shall be received as payments for the use of the Airports; (b) any arbitrage earnings (including any funds on deposit in the Rebate Fund) which are required to be paid to the U.S. Government; (c) the proceeds of any Support Facility, (d) passenger facility charges and state and/or Federal grants, and (e) any non-cash revenue items.

“*Investment Securities*” shall mean any of the following which at the time are legal investments under the laws of the State of Oklahoma for the moneys held under the Indenture and then proposed to be invested therein:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(ii) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by Banks for Cooperatives; Federal Intermediate Credit Banks; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; United States Postal Service; Government National Mortgage Association; and Federal Financing Bank or any agency or instrumentality of the United States of America or any other corporation wholly-owned by the United States of America;

(iii) New Housing Authority Bonds, Temporary Notes or Preliminary Loan Notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or any agency thereof; or Project Notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America or any agency thereof;

(iv)(A) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any State of the United States, or any political subdivision of any such State; *provided* that (a) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, and (b) at the time of their purchase under the Indenture, such obligations of any such State or political subdivision are rated in either of the two (2) highest rating categories by two (2) nationally recognized bond rating agencies; or (B) bonds, notes or other obligations of any State of the United States, or any political subdivision of any such State; *provided* that, at the time of their purchase under the Indenture, the entire principal of and interest on such obligations are irrevocably insured for the entire term of such obligations pursuant to a municipal bond insurance policy and such obligations are rated in the highest rating category by two (2) nationally recognized bond rating agencies;

(v) bank time deposits evidenced by certificates of deposit issued by any bank or trust company (which may include the Bond Trustee) which is a member of the Federal Deposit Insurance Corporation; *provided* that such time deposits are secured by obligations described in items (i), (ii), or (iii) of this definition of Investment Securities, which such obligations at all times have a market value (exclusive of accrued interest) at least equal to such time deposits so secured;

(vi) repurchase agreements with banks or other financial institutions (“Repurchasers”), including but not limited to the Bond Trustee and any of its affiliates, *provided* that each such repurchase agreement (A) is in commercially reasonable form and is for a commercially reasonable period, and (B) results in transfer to the Bond Trustee of legal title to, or the grant to Bond Trustee of a prior perfected security interest in identified securities referred to in (i) or (ii) above which are free and clear of any claims by third parties and are separated in a custodial or trust account held by a third party (other than the Repurchaser) as the agent solely of, or in trust solely for the benefit of, the Bond Trustee; *provided* that such securities acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value of such securities or the repurchase price thereof set forth in the applicable repurchase agreement.

(vii) units of a money market fund or a money market mutual fund registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating of “AAAm-G”, “AAA-m or “AA-n” and rated “Aaa, “Aa1” or “Aa2” by the applicable Rating Agency; and

(viii) commercial paper rated “Prime – 1” or better or “A-1” or better by the applicable Rating Agency.

(ix) corporate obligations unconditionally guaranteed by the United States of America.

(x) short-term cash investment funds with domestic commercial banks in one of the two (2) highest long-term rating categories or the highest short-term rating category available by Moody's or S&P and which are insured by the Federal Deposit Insurance Corporation or fully secured by obligations described in (i), (ii) or (iii) of this definition of Investment Securities.

“*Net Revenues*” shall mean Gross Revenues less Operating Expenses.

“*Operating Expenses*” shall mean the reasonable and necessary current expenses of the Airport Trustees paid or accrued by the Airport Trustees in administering, operating, maintaining, and repairing the Airports. Without limiting the generality of the foregoing, the term “*Operating Expenses*” shall include:

(i) costs of collecting the Gross Revenues and of making any refunds therefrom lawfully due others;

(ii) engineering, audit reports, legal and other overhead expenses directly related to the administration, operation, maintenance and repair of the Airports;

(iii) costs of salaries, wages and other compensation of officers and employees at the Airports and payments to pension, retirement, health and hospitalization funds and other insurance, including self-insurance for the foregoing, none of which shall exceed a level comparable to airports or a similar size and character;

(iv) costs of routine repairs, replacements, renewals and alterations occurring in the usual course of business;

(v) taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed on the Airports or any part thereof or on the operation thereof or on the income therefrom or on any privilege in connection with the ownership or operation of the Airports or otherwise imposed on the Airports or the operation thereof or income therefrom;

(vi) costs of utility services;

(vii) the costs and expenses of general administrative overhead of the Airport Trustees or the City allocable to the Airports;

(viii) costs of equipment, materials and supplies used in the ordinary course of business, including ordinary and current rentals of equipment or other property;

(ix) costs of fidelity bonds, or a properly allocable share of the premium of any blanket bond, pertaining to the Airports or the Gross Revenues or any other moneys held thereunder or required hereby to be held or deposited hereunder;

(x) costs of carrying out the provisions of the Indenture, including Bond Trustee, Registrar and Paying Agents' fees and expenses, costs of insurance or a properly allocable share of any premium of any blanket policy pertaining to the Airports or the Gross Revenues; and costs of recording, mailing and publication; and

(xi) all other costs and expenses of administering, operating, maintaining and repairing the Airports arising in the routine and normal course of business;

provided, however, that (A) for the purpose of certain sections of the Indenture, the term "Operating Expenses" shall not include: (1) any allowance for depreciation or other non-cash items or any amounts for capital replacements or reserves therefor; (2) costs of extensions, enlargements, betterments and improvements or reserves therefor; (3) reserves for operation, maintenance, renewals and repairs occurring in the normal course of business; (4) payment (including redemption) of Bonds or other evidences of indebtedness or interest and premium or reserves therefor; and (B) for all purposes of the Indenture, the term "Operating Expenses" shall not include any operation and maintenance costs and expenses pertaining to (1) Special Facilities or expenses incurred by any lessee under a Special Facility Lease or (2) lands and properties not a part of the Airports leased for industrial, governmental or other non-aviation purposes.

"*Operating Reserve Fund*" shall mean the special trust fund of the Airport Trustees designated as the "Tulsa Airports Improvement Trust Operating Reserve Fund" created and established under, and to be held and administered by the Bond Trustee as provided in the Indenture.

"*Outstanding*" when used with respect to any Bond, shall have the construction given to such word in the Indenture.

"*Program*" shall mean a financing program identified in a Supplemental Indenture, including, but not limited to, a Commercial Paper Program (a) which is authorized and the terms thereof approved by a Supplemental Indenture adopted by the Airport Trustees where the items described in the Indenture have been filed with the Bond Trustee, (b) wherein the Airport Trustees have authorized the issuance, from time to time, of notes, Commercial Paper or other indebtedness as Bonds, and (c) the authorized amount of which has met the test for issuing Additional Bonds set forth the Indenture and the Outstanding amount of which may vary from time to time, but not exceed the authorized amount set forth in such Supplemental Indenture.

"*Rating Agency*" and "*Rating Agencies*" shall mean any nationally recognized rating agency of municipal obligations, but only if such Rating Agencies have been requested by the Airport Trustees to maintain a rating on the Revenue Bonds and such Rating Agencies are then maintaining a rating on any of the Revenue Bonds.

"*Refunding Bonds*" shall mean any one or more series of Bonds authorized to be issued by the Airport Trustees pursuant to the Indenture.

"*Registrar and Paying Agent*" shall mean with respect to a series of Bonds, the Registrar and Paying Agent appointed for such series of Bonds by the Airport Trustees.

"*Remarketing Agent*" shall mean any Remarketing Agent appointed by the Airport Trustees and serving as such under the Remarketing Agreement, including any successors or assigns.

“*Remarketing Agreement*” shall mean any agreement which provides for the remarketing of Variable Rate Bonds upon tender or otherwise, as such agreement may be supplemented and amended from time to time.

“*Revenue Fund*” shall mean the special trust fund of the Airport Trustees designated as the “Tulsa Airports Improvement Trust Revenue Fund” created and established under, and to be held and administered by the Bond Trustee as provided in the Indenture.

“*Special Facility*” shall have the meaning given such term in the Indenture.

“*Special Obligation Bond*” shall mean bonds issued pursuant to the Indenture to finance the cost of construction, renovation, expansion or acquisition of a Special Facility and shall include any bonds, notes, bank loans and other evidence of indebtedness.

“*Subordinate Obligation*” shall mean any bond, note or other debt instrument issued or otherwise entered into by the Airport Trustees which may be paid from moneys constituting Net Revenues and which rank junior and subordinate to the Bonds and is only paid if all principal, interest and other amounts which have become due and payable on the Bonds whether by maturity, redemption, acceleration or agreement of the Airport Trustees has been paid in full and the Airport Trustees are current on all payments, if any, required to be made to replenish the Bond Reserve Fund and the Operating Reserve Fund. “Subordinate Obligations” shall include subordinate Commercial Paper and any related subordinate reimbursement obligations. “Subordinate Obligations” are not Bonds for purposes of the Indenture; provided, however, that the Airport Trustees may henceforth by Supplemental Indenture elect (a) to have the provisions of the Indenture applicable to the Bonds apply to the Subordinate Obligations issued thereunder, and (b) to create funds and accounts which shall be funded hereunder, but only after payment of Operating Expenses, payments to the Bond Fund, payments to the Bond Reserve Fund and payments to the Operating Reserve Fund, for payment of such Subordinate Obligations. Such Subordinate Obligations shall be secured with Net Revenues on a junior and subordinate basis to the Bonds. No bond, note, or other instrument of indebtedness shall be deemed to be a “Subordinate Obligation” for purposes of the Indenture and payable on a subordinate basis from Net Revenues unless specifically designated by the Airport Trustees as a “Subordinate Obligation” in a Supplemental Indenture or other written instrument.

“*Supplemental Indenture*” shall mean any indenture entered into by the Bond Trustee and the Airport Trustees pursuant to and in compliance with the provisions of the Indenture providing for the issuance of Bonds or Subordinate Obligations, and shall also mean any other indenture between the same parties entered into pursuant and in compliance with the provisions of the Indenture amending or supplementing the provisions of the Indenture as originally executed or as theretofore amended or supplemented.

“*Support Agreement*” shall mean the agreement, if any, entered into by the Airport Trustees which provides for a Support Facility, and any and all modifications, alterations, amendments and supplements thereto.

“*Support Facility*” shall mean any instrument such as a letter of credit, a committed line of credit, insurance policy, surety bond or standby bond purchase agreement, or any combination of the foregoing, issued by a bank or banks, other financial institution or institutions, or any combination of the foregoing, which Support Facility provides for the payment of (i) the purchase price, including accrued interest of Bonds delivered to the Remarketing Agent or any depository, tender agent or other party pursuant to a Remarketing Agreement or Supplemental Indenture; and/or (ii) principal of and interest on certain Bonds becoming due and payable during the term thereof.

“*Support Facility Obligation*” shall mean an obligation arising under a Support Agreement pursuant to or pursuant to the terms of which the Airport Trustees agree to reimburse the provider of the Support Facility for amounts paid through such facility to pay debt service or purchase price on any Bonds and all other amounts due and owing to a provider of a Support Facility.

“*Trust Estate*” shall mean the moneys, assets, agreements, contract rights, property interests and other rights and interests of the Airport Trustees granted, bargained, sold, alienated, demised, released, conveyed, transferred, assigned, confirmed, pledged with and set out into the Bond Trustee in trust by the Airport Trustees in the preambles and recitals of the Indenture after the payment of Operating Expenses.

“*Variable Rate Bonds*” shall mean any Bonds issued bearing interest at a rate per annum subject to adjustment from time to time pursuant to the terms thereof, based upon an index, or otherwise calculated in a manner which precludes the actual rate for the entire term of such debt from being ascertainable in advance. For the purposes of this definition, Bonds cease to be considered Variable Rate Bonds upon the establishment of or conversion of the rate of interest thereon to a fixed interest rate for the remaining term thereof.

### **Authorization of Issuance of Bonds and Other Indebtedness**

*Bonds.* The Indenture provides for the issuance of Bonds of the Airport Trustees which may be issued from time to time in accordance with the terms and conditions of the Indenture. The Bonds, including principal thereof and interest and premium, will be payable solely from the Net Revenues of the Airport and other moneys specified in the Indenture, which are pledged and charged to the Bonds (which for purposes of this paragraph include any Support Facility Obligations related to Bonds), to the punctual payment of the principal thereof and interest and premium, if any, thereon and to the security thereof in accordance with the provisions of the Indenture. Except with respect to any account of the Bond Reserve Fund established for the benefit of only certain Bonds or as otherwise specifically provided in the Indenture, the Bonds (which for purposes of this paragraph include any Support Facility Obligations related to the Bonds) will be equally and ratably secured by the assignments, pledges and charges made or created under the Indenture or on the properties of the Trust Estate for the payment and security of the Bonds and by a co-equal lien thereon, without priority by reason of series number, date of execution thereof or of the Supplemental Indenture providing for the issuance thereof, date of Bonds, date of sale, date of execution, date of authentication, date of issuance, date of delivery, or otherwise, and without regard to which section of the Indenture under which the Bonds are issued.

The Bonds are not (i) an indebtedness of the State of Oklahoma or of the City of Tulsa or of any municipality or political subdivision of the State of Oklahoma; (ii) a general obligation of the Airport Trustees or a charge upon any other revenue or assets of the Airport Trustees not specifically pledged under the Indenture; or (iii) a personal obligation of any of the Airport Trustees.

*Additional Bonds.* The Airport Trustees may issue one or more series of Additional Bonds by means of a Supplemental Indenture or Supplemental Indentures, but only upon compliance with the following conditions:

(1) The Airport Trustees must find and determine that no default exists in the payment of the principal of or interest and premium (if any) on any Bond; all mandatory redemptions (if any) of Bonds required to have been made from the Principal Account in the Bond Fund must have been made; and all payments required by law or agreement to have been made to the City by reason of the issuance of bonds, notes or other evidences of indebtedness of the City for the Airport upon request of the Airport Trustees have been made;

(2) The Accountant or Airport Consultant shall have certified that

(a) for any twelve (12) consecutive months out of eighteen (18) months immediately preceding the month in which the Additional Bonds proposed to be issued are delivered and paid for, the Net Revenues received during such period on the accrual basis of accounting plus Dedicated Revenues shall have been equal to not less than one hundred twenty-five percent (125%) of the Debt Service for such twelve (12) month period on all Bonds Outstanding as of the last day of such twelve (12) month period plus Debt Service on such Additional Bonds to be issued; or

(b) the Net Revenues, as estimated by such person, to be derived either (i) in each of the five (5) Fiscal Years following the Fiscal Year in which such Additional Bonds are issued, or (ii) in each of the three (3) Fiscal Years following the Fiscal Year in which the Airport Trustees estimate a substantial portion of the project or projects, the Costs of Construction of which are to be financed from the proceeds of the issuance of such Additional Bonds, are placed in continuous service or in commercial operation, whichever is later, plus any Dedicated Revenues shall equal not less than one hundred twenty-five percent (125%) of the Debt Service in each Fiscal Year on all Bonds to be Outstanding upon the issuance of such Additional Bonds and including such Additional Bonds.

For the purposes of the certification required in 2(a) above, (i) Net Revenues derived prior to such twelve (12) month period that are on deposit in the Airport Improvement Fund on the first day following such Fiscal Year may be deemed to be and treated as Net Revenues derived during such twelve (12) month period, and (ii) amounts received during such twelve (12) month period arising out of and attributable to the payment of interest and principal on temporary or short-term borrowings incurred to pay Operating Expenses shall not be considered to be Gross Revenues actually paid into the Revenue Fund.

The Indenture authorizes the issuance of Variable Rate Bonds pursuant to a Supplemental Indenture or Supplemental Indentures. The Supplemental Indenture or Supplemental Indentures providing for the issuance of such Variable Rate Bonds may provide for the Airport Trustees to obtain Support Facilities or alternate Support Facilities and enter into Support Agreements in connection therewith; to enter into Support Facility Agreements in connection therewith that provide that the Airport Trustees' obligation to the provider of a Support Facility under the Support Facility Agreement are ranked on parity with the Bonds to which the Support Facility relates (provided, however, that any such variable rate bonds and the corresponding obligation under the Support Facility Agreement shall be considered the same obligation in determining Debt Service on such borrowing); to enter into Remarketing Agreements and appoint Remarketing Agents; to provide for interest to be payable or redetermined on such dates and to accrue over such periods as set forth in such Supplemental Indenture; to provide for the establishment, use, composition, adjustment and change of interest indices or the establishment and use of alternate interest indices or the establishment of multiple or alternative interest rate modes or the establishment of a fixed rate or rates; to provide for the establishment of special funds and accounts in connection with the issuance of such Variable Rate Bonds; to provide for special redemption or purchase provisions for such Variable Rate Bonds; and to establish notice provisions in connection with the purchase, redemption, delivery or tender of such Variable Rate Bonds.

*Refunding Bonds.* The Airport Trustees may issue one or more series of Refunding Bonds by means of a Supplemental Indenture to refund any Outstanding Bonds.

*Subordinate Indebtedness.* The Airport Trustees may approve Supplemental Indentures which provide for the issuance of Subordinate Obligations for any corporate use or purpose of the Airport Trustees relating to the Airports payable as to principal and interest from the Net Revenues subject and subordinate to both the payment of Operating Expenses and the deposits and credits required to be made to the Revenue Fund, the Bond Fund, the Bond Reserve Fund and the Operating Reserve Fund, and nothing shall prohibit the Airport Trustees from creating new funds or accounts from which to pay principal and interest on Subordinate Obligations or to provide a reserve for the payment of such Subordinate Obligations, all of which are funded from Net Revenues after the required funds are deposited in the Bond Fund, the Bond Reserve Fund and the Operating Reserve Fund, or from securing such Subordinate Obligations and the payment thereof by a lien and pledge on the Net Revenues junior and subordinate to the lien and pledge on the Net Revenues herein created for the payment and security of the Bonds.

#### **Application of Bond Proceeds; Construction Fund**

The Indenture creates a Construction Fund to be held and administered by the Bond Trustee. In the event of the issuance of a series of Additional Bonds for the purposes of paying the Costs of Construction, the Airport Trustees, in the Supplemental Indenture providing for such series of Additional Bonds, shall create a Construction Account in the Construction Fund from which such Costs of Construction shall be paid (unless such Account shall then already be in existence in such Fund), and shall provide for a credit to such Account of that amount of the proceeds of such series of Additional Bonds which are to be applied to the payment of such Costs of Construction. In the event that interest on such series of Additional Bonds is to be provided from the proceeds of such Bonds, the Airport Trustees, in the Supplemental Indenture providing for such series of Additional Bonds, shall specify the amount of such proceeds to be applied to the payment of such interest or the methodology for determining such amount, and shall establish a Construction Interest Account in the Construction Fund (unless such Account shall then already be in existence in such Fund), to which shall be credited the amount of the proceeds so specified.

*Costs of Construction.* The term "Costs of Construction" is defined in the Indenture to include, generally, all costs and expenses necessary or desirable and pertaining or incident to construction of any project, as estimated or otherwise ascertained by the Airport Trustees as specified in the Indenture.

Payments from moneys on deposit in the Construction Fund (but not including moneys on credit to a Construction Interest Account therein) shall be made only upon filing with the Bond Trustee a requisition for such payment signed by an individual authorized by the Airport Trustees from time to time, stating that as to the portion of such project to which such requisition relates (i) the amount to be paid or reimbursed and the name of the person to whom payment is due; (ii) that an obligation in the stated amount has been incurred by the Airport Trustees and has not theretofore been paid or reimbursed from moneys on deposit in the Construction Fund; and (iii) that the payment of such amount is a proper charge against the particular Construction Account and specifying the purpose and circumstances of such obligation in reasonable detail.

Moneys in the Construction Fund on credit to a Construction Interest Account are required to be deposited to the Interest Account in the Bond Fund in amounts and at the times prescribed in the applicable Supplemental Indenture.

When all Costs of Construction to be paid from a Construction Account established with respect to a series of Bonds have been paid in full, or the amount necessary for such payment has been set aside in such Construction Account for such purpose, the balance of the moneys credited to such Construction Account must be transferred by the Bond Trustee to the Bond Fund for credit to the Principal Account to be applied solely to the payment of principal of, and shall be invested at a yield not exceeding the yield on, the series of Bonds issued to pay such Costs of Construction. Notwithstanding the foregoing, transfers of moneys from the Construction Account established with respect to a series of Bonds to the Principal Account shall be required only to the extent necessary to comply with the applicable tax covenants in the Indenture.

#### **Application of Gross Revenues; Special Funds**

The Indenture creates several additional funds and accounts, all of which are to be held and administered by the Bond Trustee.

All Gross Revenues and certain other moneys are required to be set aside as collected and, except as otherwise provided in the Indenture, deposited in the Revenue Fund. The moneys in the Revenue Fund and securities in which such moneys may from time to time be invested shall be applied by the Bond Trustee, as necessary and in accordance with the budget for the Airport Trustees, to pay and provide for the payment of all current Operating Expenses. Thereafter, such funds shall be applied as follows:

FIRST: The Bond Trustee is required to deposit in the Bond Fund the Net Revenues to the extent necessary to provide for the punctual payment of the principal of and interest and premium, if any, on the Bonds when due, and moneys on deposit to the Bond Fund may be used solely for such purposes. Supplemental to the foregoing provisions of this paragraph, there shall be deposited in the applicable accounts of the Bond Fund: (i) the moneys, if any, from the Construction Interest Account of the Construction Fund, as required by the Indenture; (ii) any amounts held thereunder which, at the option and in the discretion of the Airport Trustees, may be applied to the purchase or redemption of Bonds as is permitted by the provisions of the Indenture; (iii) on or before each principal and/or interest payment date on Bonds, any Dedicated Revenues pledged to the payment of principal or interest on the Bonds; (iv) any refund or other payments received by the Airport Trustees from the federal government in respect of interest paid or due on Bonds; and (v) Net Revenues transferred from the Revenue Fund and deposited in the Bond Fund. The Supplemental Indenture providing for the issuance of a series of Bonds shall state whether the Bond Trustee or the Registrar and Paying Agent shall mail or otherwise make interest payments to the registered owner of the Bonds. In the event the Registrar and Paying Agent is to mail or otherwise make such interest payments, the moneys on deposit or credit to the Interest Account established for such series of Bonds in the Bond Fund shall be transferred by the Bond Trustee, without further written direction, to the Registrar and Paying Agent for such series in such amounts and at such times as shall be necessary to pay the interest on such series of Bonds as the same series due and payable. Unless moneys are on deposit in the Construction Interest Account for such payment on the 25<sup>th</sup> day of each month, there shall be transferred from the Revenue Fund and deposited in each Interest Account (a) with respect to each series of Bonds that bear interest at a set and known rate for such month, commencing as described in the applicable Supplemental Indenture, an amount such that, if the same amount were so credited to each such Interest Account on the 25<sup>th</sup> day of each succeeding month until the next Interest Payment Date amounts on credit to each such Interest Account on the 25<sup>th</sup> day of the month preceding such Interest Payment

Date will be equal to the amount required to pay, or to reimburse the Financial Institution for a draw on the Support Facility for payment of, interest due on each series of Bonds on the Interest Payment Date.

(b) With respect to Variable Rate Bonds which have Interest Payment Dates occurring at intervals of one month or less, on the third Business Day prior to each Interest Payment Date, if such Bonds are insured by a bond insurance policy, or on each Interest Payment Date, if supported by a Support Facility provided by a bank or financial institution other than a bond insurance company, or if not supported by a Support Facility, the amount required to be credited to the Interest Account established for such Variable Rate Bonds together with other funds available therefor in the Interest Account, to pay, or to reimburse the Financial Institution for a draw on the Support Facility for payment of, the interest payable on such Variable Rate Bonds on each Interest Payment Date. In making the foregoing credits to each Interest Account, the Bond Trustee shall give consideration to and allow for accrued interest received upon the sale of a series of the Bonds deposited in the Bond Fund and credited to the applicable Interest Account and to any Dedicated Revenues pledged to the payment of such Bonds.

In order to provide for the payment of, or to reimburse the Financial Institution for a draw on the Support Facility for the payment of, principal and any applicable premium on, Bonds at maturity or on earlier redemption or by mandatory sinking fund payment, the Bond Trustee shall transfer from the Revenue Fund on the 25<sup>th</sup> day of each month and deposit in the Principal Account for the applicable Series of Bonds, commencing as described in the applicable Supplemental Indenture, an amount such that, if the same amount were so credited to each such Principal Account on the 25<sup>th</sup> of each succeeding month, until the next principal payment date, amounts on credit in the Principal Account on the 25<sup>th</sup> of the month preceding the next succeeding principal payment date shall be sufficient to pay the amount due on such principal payment date.

Unless and except as is otherwise provided in a Supplemental Indenture with respect to a series of Bonds, the Bond Trustee may also, without further authorization or direction, apply the moneys credited to the Principal Account for the retirement of Bonds to the purchase of those Bonds, in which event the principal amount of such Bonds required to be redeemed on the next respective ensuing redemption date shall be reduced by the principal amount of the Bonds so purchased; provided, however, that no Bonds shall be purchased during the interval between the date on which notice of redemption of such Bonds is given and the date of redemption set forth in such notice, unless the Bonds so purchased are Bonds called for redemption in such notice or are purchased from moneys other than those credited to a Principal Account. Any purchase of Bonds pursuant to this paragraph may be made with or without tenders of Bonds and at either public or private sale, but in any event at a purchase price (including accrued interest and any brokerage or other charge) not to exceed the then applicable redemption price of such Bonds plus accrued interest. The accrued interest to be paid on the purchase or redemption of Bonds shall be paid from moneys credited to the Interest Account. All Bonds purchased or redeemed pursuant to this paragraph shall be cancelled and not reissued.

The moneys on deposit in the Bond Fund on credit to a Principal Account shall be transferred by the Bond Trustee, without further authorization or direction, to the Registrar and Paying Agent for such series of Bonds, in such amounts and at such times as shall be necessary to pay, or to reimburse the Financial Institution for a draw on the Support Facility for the payment of, the principal of and premium, if any, on such Bonds as the same become due and payable, whether upon their maturity or upon the redemption or the purchase thereof from the moneys credited to a Principal Account or upon declaration, as hereinafter provided, or otherwise.

In the event the Airport Trustees issue any Subordinate Obligations, the Airport Trustees may direct the Bond Trustee to establish such additional Funds as the Airport Trustees deem necessary and proper and provide for the deposits to such Fund and credits to such Fund in order to provide for the payments of such Subordinate Obligations, notes or other evidences of indebtedness; provided that no such deposits to such additional funds or accounts shall be made until the credits to each Interest Account, Principal Account and Bond Reserve Fund required by the Indenture.

SECOND: The Airport Trustees are authorized to specify in any Supplemental Indenture that an account or accounts of the Bond Reserve Fund shall be maintained for such series of Bonds and the provisions with respect thereto or, so long as the rating on the Bonds is maintained, that no account of the Bond Reserve Fund is being created for such series of Bonds. Any account so created may be pledged to and secure one or more series of Bonds, as described in such Supplemental Indenture. The moneys on deposit in each account of the Bond Reserve Fund

shall constitute a reserve for the payment of the principal of and interest and premium, if any, on only one or more applicable series of Bonds, as identified in the Indenture or the applicable Supplemental Indenture. The moneys in the Bond Reserve Fund shall be used and applied by the Bond Trustee solely for the purpose of paying the principal of and interest and premium, if any, on the applicable series of Bonds when due, whether at maturity or upon the redemption or purchase thereof from moneys credited to the Principal Account, and shall be so used and applied by the Bond Trustee without further authorization or direction whenever there are insufficient moneys on credit to any Interest Account or Principal Account in the Bond Fund for such purposes.

Whenever the total of the moneys on deposit in the Bond Fund and the Bond Reserve Fund which are not required for the payment of principal and interest and premium, if any, which has theretofore become due (whether by maturity or upon redemption or by purchase or by declaration, as hereinafter provided, or otherwise) but is unpaid, is sufficient to retire at maturity, or to redeem prior to maturity in accordance with their respective terms, all of the Bonds then Outstanding, together with interest thereon to their maturity date or the date fixed for the redemption thereof, no further deposits need be made to the Bond Fund or the Bond Reserve Fund and the Bond Trustee shall retire at maturity or call for redemption all Bonds which may be redeemed by their terms, on the next succeeding redemption date for which the required redemption notice may practicably be given, and apply such total to such retirement or redemption.

A Supplemental Indenture may provide for the funding of the applicable Bond Reserve Requirement for any account or accounts of the Bond Reserve Fund, in whole or in part, by the delivery to the Bond Trustee of a surety bond or an insurance policy payable to the Bond Trustee for the benefit of the Bondholders or a letter of credit entitling the Bond Trustee to draw on an amount equal to the difference between the Bond Reserve Requirement and the sum then to the credit of the applicable account in the Bond Reserve Fund, if any.

When a series of Bonds is refunded in whole or in part or is otherwise paid so that all of the Bonds of such series are no longer Outstanding within the meaning of the Indenture, moneys may be transferred from the Reserve Fund to the Bond Fund to pay or provide for the payment of such Bonds or refunded Bonds, as the case may be, or may be transferred and applied to any reserve fund or account established for the refunding bonds issued to refund such refunded Bonds, provided that immediately after such withdrawal or transfer there shall be on credit to the applicable account of the Reserve Fund, an amount equal to the applicable Bond Reserve Requirement.

In the event the Airport Trustees issue Subordinate Obligations, the Airport Trustees may direct the Bond Trustee to establish such accounts as they deem necessary and proper and provide reasonable reserves for the payment of such bonds, notes, or other evidences of indebtedness, but no such deposits or credits may be made until all required deposits and credits to the Bond Fund, Operating Reserve Fund and the Bond Reserve Fund have been made.

THIRD: The moneys on deposit in the Operating Reserve Fund shall be maintained in an amount equal to one-fourth of the estimated and budgeted Operating Expenses for the then current Fiscal Year. If at the end of any Fiscal Year, moneys credited to the Operating Reserve Fund are less than the amount required, the Bond Trustee shall remedy the deficiency by depositing the appropriate amount in the Operating Reserve Fund (after making the required deposits and credits to the Bond Fund and the Bond Reserve Fund). Moneys on credit to the Operating Reserve Fund shall be applied solely for the purpose of paying Operating Expenses, or to the payment of interest, principal and premium on the Bonds if amounts on deposit in the Bond Funds, the Bond Reserve Fund and the Airport Improvement Funds are insufficient therefore, and such amounts shall be so used and applied without further authorization whenever there are insufficient moneys on deposit in the Operating Reserve Fund for such purpose.

FOURTH: At the end of each Fiscal Year, after making all required deposits and credits summarized above and deposits to any fund established for the payment of Subordinate Obligations, all remaining Net Revenues must be paid into the Airport Improvement Fund. Moneys and securities on deposit in the Airport Improvement Fund may be expended at any time and from time to time for the Costs of Construction of any capital improvement project reasonably related to the Airports, or, at the end of each Fiscal Year, to make payments into any fund or account under the Indenture, including the Revenue Fund. Money or securities paid into the Revenue Fund shall be considered as Gross Revenues for the next ensuing Fiscal Year.

If at any time the moneys and securities on deposits in the Bond Fund and the Bond Reserve Fund are insufficient to pay the principal of and interest and premium, if any, on the Bonds when due, the Bond Trustee is required to transfer to the account in the Bond Fund in which such insufficiency exists, from the Airport Improvement Fund an amount sufficient to permit the payment of the principal of and interest and premium, if any, on the Bonds when due.

### **Investment of Moneys; Rebate Fund**

Moneys in the Revenue Fund, Bond Fund and Airport Improvement Fund shall be invested and reinvested by the Bond Trustee, at the direction of the Airport Trustees, to the extent reasonable and practicable in Investment Securities so as to mature in the amounts and at the times so that the payments required to be made from such Funds may be made when due. Moneys on credit to the Bond Reserve Fund shall be invested in Investment Securities so as to mature by no later than the earlier of eight (8) years from the date of investment or the final maturity date of all Bonds then Outstanding.

Moneys on deposit in the Construction Fund and credited to a Construction Account therein shall be invested and reinvested to the extent reasonably practicable in Investment Securities maturing in such amounts and at such times as is anticipated by the Airport Trustees that such moneys will be required to pay the Costs of Construction to be satisfied from such Account, and moneys on deposit in the Construction Fund and credited to a Construction Interest Account shall be invested and reinvested by the Bond Trustee to the extent reasonably practicable in Investment Securities maturing in such amounts and at such times so that the transfers required to be made therefrom can be made when due. Earnings from investment of moneys on deposit in the Construction Account are to be credited to such Account during the construction period to be used and applied to the Costs of Construction and thereafter shall be transferred to the Principal Account of the Bond Fund. Moneys on deposit in the Construction Fund and credited to a Construction Interest Account therein are to be invested in Investment Securities maturing in such amounts and at such times so that the required transfers to the Interest Account in the Bond Fund to be made therefrom can be made when due. Unless the Bond Trustee is notified by the Airport Trustees to deposit earnings in the Rebate Fund pursuant to the Indenture, all earnings on and income from investments of moneys in such Funds (other than a Construction Account in the Construction Fund) shall be deposited in the Revenue Fund, for use and application as are all other moneys deposited in that Fund.

At the request of the Airport Trustees, the Bond Trustee shall establish and maintain a Rebate Fund. The Bond Trustee shall, at the direction of the Airport Trustees, create separate accounts and subaccounts within the Rebate Fund as the Airport Trustees deem necessary. At the direction of the Airport Trustees, any investment earnings in any fund created hereunder may be transferred to the Rebate Fund and held thereunder to fulfill the Airport Trustees' obligations to make rebate payments to the United States of America as required under Section 148(f) of the Code. The Bond Trustee shall make information in its possession regarding the Bonds and investments under the Indenture available to the Airport Trustees and shall make deposits and disbursements from the Rebate Fund in accordance with the written instructions received from the Airport Trustees, and shall invest the amounts held in the Rebate Fund, if any, pursuant to additional written instructions from the Airport Trustees. Anything in the Indenture to the contrary notwithstanding, the immediately preceding sentence the paragraph below may be superseded or amended by new instructions delivered by the Airport Trustees and accompanied by an opinion of Bond Counsel addressed to the Bond Trustee to the effect that the use of the new instructions will not cause a loss of the exclusion from gross income of the interest on any tax-exempt Bonds for federal income tax purposes.

If a Rebate Fund is established and if a deposit is made to such Rebate Fund, the Bond Trustee shall upon receipt of written direction from the Airport Trustees, accept such payment. If amounts in excess of that required to be rebated to the United States of America accumulate in the Rebate Fund, the Bond Trustee shall, upon direction from the Airport Trustees, transfer such amount to the Airport Trustees. Records of the determinations required by this Section and the instructions must be retained by the Bond Trustee until six (6) years after the Bonds are no longer Outstanding.

## **Covenants as to Rates, Rentals, Fees and Charges**

The Airport Trustees are required to impose such schedules of rates, rentals, fees and charges for the use and services of the Airport, and to revise the same whenever necessary, and collect the income, receipts and other moneys derived therefrom, so that the Airports shall be and always remain financially self-sufficient and self-sustaining. The rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Gross Revenues at least sufficient (i) to pay as and when the same become due all Operating Expenses; (ii) to pay the principal of and interest and premium, if any, on any Bonds as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise); (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from the Gross Revenues; and (iv) to carry out all provisions and covenants of the Indenture. Furthermore such rates, rentals, fees and charges must ensure that Dedicated Revenues plus Gross Revenues will equal at least (i) an amount equal to 125% of the Debt Service due during the Fiscal Year; (ii) an amount equal to estimated and budgeted Operating Expenses during the Fiscal Year; and (iii) an amount equal to the aggregate of deficiencies in any fund or account (or so much as is required under the Indenture to be repaid during such Fiscal Year) held under the Indenture.

## **Additional Covenants**

Under the Indenture, the Airport Trustees have additionally covenanted as follows:

*Payment of Principal, Premium, if Any, and Interest.* The Airport Trustees will duly and punctually pay, or cause to be paid, but solely from the Net Revenues and other moneys pledged under the Indenture, the principal of and interest and premium, if any, on each and every Bond as provided in the Indenture.

*Completion of Improvements.* The Airport Trustees will proceed with all reasonable dispatch to complete the acquisition, purchase, construction, reconstruction, improvement, betterment or extension of any properties, the costs of which are to be paid from the proceeds of Bonds or from any other moneys held under the Indenture.

*Operation and Maintenance.* The Airport Trustees will maintain, preserve, keep and operate, or cause to be maintained, preserved, kept and operated, the properties constituting the Airports (including all additions, improvements and betterments thereto and extensions thereof and every part and parcel thereof) in good and efficient repair, working order and operating condition in conformity with standards customarily followed in the aviation industry for airports of like size and character, and will from time to time construct additions and improvements thereto which are economically sound, so that at all times the business carried on in connection therewith shall be properly and advantageously conducted in an efficient manner and at a reasonable cost.

The Airport Trustees will operate and maintain the Airports, or cause to be operated and maintained, as a revenue-producing enterprise and will manage the same in the most efficient manner consistent with sound economy and public advantage and the protection of the Bondholders and so as to assure that the Airports will be financially self-sufficient and self-sustaining.

*Negative Pledges.* The Airport Trustees will not create or permit the creation of or issue any Subordinate Obligations or create any additional indebtedness which will be payable as to principal or interest, or both, from the Net Revenues prior to or on a parity with the payment therefrom of the principal of or interest on the Bonds or prior to or on a parity with certain payments and credits from the Net Revenues to be made to the Bond Reserve Fund and to various accounts in the Bond Fund, or which will be secured as to principal or interest, or both, by a lien and charge on the Net Revenues superior or equal to that of the Bonds and the interest thereon or to that of the funds referred to above.

The Airport Trustees shall not create or give, or cause to be created or given, or permit to be created or given, any mortgage, lien, pledge, charge or other encumbrance upon any real or personal property constituting the Airports or upon the Net Revenues and the moneys held under the Indenture, other than the liens, pledges and charges specifically created therein or specifically permitted thereby.

*Sale, Lease or Other Disposition of Property.* The Airport Trustees shall not sell, lease, sublease or otherwise dispose of all, or substantially all, of the properties constituting the Airports without simultaneously depositing in accordance with the Indenture, cash or Governmental Obligations in an amount sufficient so that no Bonds are to be Outstanding under the Indenture, except that (i) the Airport Trustees may execute leases and other agreements of or pertaining to properties constituting the Airports in connection with the operation of the Airports and in the normal and customary course of business, according to the schedule of rates, rentals, fees and charges of the Airports, and the revenues from such leasing shall be a part of the Gross Revenues and such properties shall remain part of the Airports, but any such leasing must not be inconsistent with the provisions of the Indenture and must not impair or diminish the security of and payment for the Bonds; (ii) the Airport Trustees may enter into Special Facility Leases; and (iii) the Airport Trustees may sell, sublease or otherwise dispose of any portion of the properties and facilities (real or personal) comprising a part of the Airports the disposal of which will not impede or prevent the use of the Airports or its facilities and which the Airport Trustees have determined has become unserviceable, unsafe or no longer required or which have been replaced by other property of substantially equal revenue-producing capability and of substantially equal utility. Any moneys received by the Airport Trustees as the proceeds of any such sale, lease, sublease or other disposition of such properties will (i) to the extent originally acquired with proceeds of tax-exempt Bonds (unless, in the opinion of bond counsel, such deposit is not required by the Code) be deposited in the Principal Account of the Bond Fund, or (ii) become Gross Revenues and be deposited in the Revenue Fund. The deposit and redemption described in the prior sentence is not required if the Airports are transferred, in whole, to another governmental authority or public trust who assumes all obligations of the Airport Trustees and is rated no lower than the Airport Trustees at the time of transfer.

*Condemnation.* In the event any Airports properties are taken by the exercise of the power of eminent domain, the amount of the award received by the Airport Trustees as a result of such taking shall be applied to any lawful purpose consistent with the Lease as then in effect, including the redemption or purchase of the Bonds and the acquisition or construction of additional revenue-producing properties to constitute a part of the Airports.

*Insurance.* The Airport Trustees will carry insurance with responsible insurers with policies payable to the Airport Trustees and the City, as their interests may appear, against risks, accidents or casualties at least to the extent that similar insurance is usually carried by airport operators operating similar properties, including but not limited to liability, property and automobile insurance. From time to time the Airport Trustees shall seek the advice and counsel of an independent insurance consultant or consultants with respect to the insurance program of the Airports, including the placement of insurance and the establishment of its self-insurance fund or funds. All such insurance shall be taken out and maintained for the benefit of those as provided in the Indenture.

In the event of any loss or damage to the properties constituting the Airports covered by insurance or by self-insurance, the Airport Trustees will promptly repair, replace or reconstruct the damage or destroyed property; *provided* that, to the extent permitted by the Lease, no such repair, replacement or construction will be required if the Airport Trustees find that it is not in their best interest and the failure to repair, replace or reconstruct will not prevent compliance with the Indenture or impair the security or the payment of the Bonds. The Airport Trustees will apply the proceeds of any insurance policy or policies or self-insurance fund or funds as specified in the Indenture.

*Payment of Other Obligations.* The Airport Trustees shall, from time to time, duly pay and discharge, or cause to be paid or discharged, any taxes, assessments or other governmental charges lawfully imposed upon the Airports or any part thereof or upon the Gross Revenues, or any required payment in lieu thereof, as well as all lawful claims for labor, materials and supplies furnished or supplied to the Airports or any part thereof, when the same shall become due and payable, and keep the Airports and all parts thereof and the Gross Revenues free from judgments, mechanics' and materialmen's liens, and free from all other liens, claims, demands or encumbrances of whatsoever prior nature or character. However, the Airport Trustees may, in good faith, contest the applicability or validity of any such tax, assessment or governmental charge or payment in lieu thereof, as well as any claim for labor, material or supplies for work completed or materials or supplies furnished. During the period of any such contest and appeal even though such contest or proceeding may result in a judgment or lien against the Airports or any part thereof or the Gross Revenues, the Airport Trustees may permit the contested items to remain unpaid or unsatisfied if and so long as such contest or proceeding shall stay the execution or enforcement of any such tax, assessment, charge, claim, judgment or lien so that pending the determination of such contest or proceeding the

Airport and all parts thereof and the Gross Revenues is not affected thereby, and if so long as such contest or proceeding does not impair the security or the payment of the Bonds.

*Covenant as to Security.* The Airport Trustees shall not take any actions as might prejudice the security or the payment of the Bonds according to their terms. The Airport Trustees will maintain, preserve and renew all the rights, powers, privileges and franchises now owned by them or hereafter acquired by them with respect to the Airports. The Airport Trustees shall not take any action by which the rights, payment or security of the Bonds might be impaired or diminished.

## **Amendments**

The Bond Trustee and the Airport Trustees, from time to time and at any time and without the consent or concurrence of any holder of any Bond, may enter into indentures amendatory or supplemental to the Indenture for the following purposes:

(i) providing for the issuance of Additional Bonds, Refunding Bonds or Subordinate Obligations pursuant to the provisions of the Indenture;

(ii) to make any changes or modifications or amendments, additions or deletions which may be required to permit the Indenture to be qualified under the Trust Indenture Act of 1939 of the United States of America; and

(iii) if the provisions of such Supplemental Indenture shall not materially adversely affect the rights of the holders of the Bonds then Outstanding, for any one or more of the following purposes:

(A) to make any changes or corrections in the Indenture or any Supplemental Indenture which are technical wording corrections or are required for the purpose of curing any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained therein, or to insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable;

(B) to add additional covenants and agreements of the Airport Trustees for the purpose of further securing the payment of the Bonds;

(C) to surrender any right, power or privilege reserved to or conferred upon the Airport Trustees by the terms of the Indenture;

(D) to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of the Indenture;

(E) to grant to or confer upon the Bondholders any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them, or to grant to or confer upon the Bond Trustee for the benefit of the Bondholders any additional rights, duties, remedies, power or authority;

(F) to prescribe further limitations and restrictions upon the issuance of Additional Bonds and the incurring of indebtedness by the Airport Trustees payable from the Net Revenues;

(G) to modify in any other respect any of the provisions of the Indenture including any modifications as may be required with respect to any series of Bonds in order to obtain a favorable rating or ratings from one or more nationally recognized rating agencies; *provided* that such modifications shall have no material adverse effect as to any Bond or Bonds which are then Outstanding;

(H) to provide for the issuance of Bonds in book-entry or coupon form, if at the time permitted by applicable law; or

(I) to increase or decrease the amounts required to be deposited in any fund created by the Airport Trustees and funded after the deposits in the Revenue Fund, the Bond Fund, the Bond Reserve Fund and the Operating Reserve Fund.

With the consent of the holders of not less than sixty percent (60%) of the Bonds then Outstanding, the Airport Trustees and the Bond Trustee may amend the provisions of the Indenture for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Indenture or any Supplemental Indenture, or modifying or amending the rights and obligations of the Airport Trustees and the Bond Trustee under the Indenture, or modifying in any manner the rights of the holders of the Bonds then Outstanding; *provided* that without the specific consent of the holder of each Bond affected thereby, no such amendment may: (i) change the fixed maturity date for the payment of the principal of any Bond or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or the redemption price (or redemption premium) payable upon the redemption or prepayment thereof; (ii) reduce the percentage of Bonds the holders of which are required to consent to any such Supplemental Indenture amending or supplementing the Indenture; (iii) give to any Bond or Bonds any preference over any other Bond or Bonds (except with respect to the Bond Reserve Fund); (iv) permit the creation of a mortgage or lien upon properties constituting a part of the Airport; (v) authorize the creation of any pledge of the moneys and other assets of the Trust Estate or any lien or charge thereon prior, superior or equal to the pledge of and lien and charge thereon created by the Indenture for the payment of the Bonds; or (vi) deprive any holder of the Bonds of the security afforded by the Indenture.

#### **Events of Default; Remedies**

Under the Indenture, the happening of one or more of the following events constitutes an Event of Default:

(i) if payment of the principal of and premium, if any (or the redemption price), on any Bond is not made when due; or

(ii) if the payment of any installment of interest on any Bond is not made when due; or

(iii) if the respective monthly credits to the Principal Account in the Bond Fund with respect to a series of Bonds are not made or satisfied in full by the respective date or dates established in the applicable Supplemental Indenture providing for the issuance of a series of Bonds and such failure shall have continued for sixty (60) days after such date or dates; or

(iv) unless all of the Bonds then Outstanding have been called for retirement or for redemption, if the Airport or any building, structure or facility constituting a part thereof is destroyed or damaged so as to reduce the aggregate of the Gross Revenues below the amount covenanted to be produced and maintained under the Indenture and the Airport Trustees do not, to the extent of the proceeds of insurance and on credit to the Airport Improvement Fund available therefor, promptly repair or reconstruct such destroyed or damaged building, structure or facility, or do not promptly erect or substitute in place of the building, structure or facility destroyed or damaged other buildings, structures and facilities which produce revenues comparable to those produced by or derived with respect to the building, structure or facility destroyed or damaged, and do not subject to the lien, pledge and charge of the Indenture and deposit in the Revenue Fund the revenues to be derived therefrom, which revenues so deposited shall constitute Gross Revenues and be used and applied as are all other Gross Revenues; *provided* that nothing in this paragraph shall require the repair, reconstruction or replacement of any building, structure or facility which at the time of such destruction or damage was unserviceable, inadequate, obsolete, worn-out or unfit to be used or no longer required for use in connection with the security and payment of the Bonds; or

(v) if the rate covenant of the Airport Trustees is not met, and at the end of the second full fiscal year after receiving the recommendations of the Airport Consultant, the Airport Trustees fail to meet the necessary coverage requirements; or

(vi) if the Airport Trustees fail in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in the Indenture (other than the section relating to the rate covenant) or in any Supplemental Indenture, and such failure continues for ninety (90) days after written notice specifying such failure and requiring it to be remedied has been given to the Airport Trustees by the Bond Trustee or to the Bond Trustee and the Airport Trustees by the holders of not less than twenty percent (20%) of the principal amount of the Bonds then Outstanding or any trustee or committee therefor; *provided* that if any such failure cannot be cured or corrected within such 90-day period, it will not constitute an Event of Default under the Indenture if curative or corrective action is instituted within such period and diligently pursued until the failure of performance is cured or corrected; or

(vii) if any proceedings are instituted with the consent or acquiescence of the Airport Trustees for the purpose of effecting a composition between the Airport Trustees and their creditors and if the claim of such creditors is in any circumstance payable from the Net Revenues or any other moneys or assets pledged and charged in the Indenture, or for the purpose of adjusting the claims of such creditors, pursuant to any federal or State statute now or hereafter enacted; or

(viii) if an order or decree is entered with the consent or acquiescence of the Airport Trustees or without the consent or acquiescence of the Airport Trustees and such order or decree is not vacated or discharged or stayed on appeal within sixty (60) days after the entry thereof appointing a receiver of the Airports or any of the buildings, structures and facilities constituting a part thereof; or

(xi) if, under the provisions of any applicable bankruptcy laws or any other law for the relief or aid of debtors, (1) any court of competent jurisdiction assumes custody or control of the Airports or of any of the buildings, structures and facilities constituting a part thereof, and such custody or control is not terminated within ninety (90) days from the date of assumption of such custody or control; or (2) any court of competent jurisdiction approves of any petition for the reorganization of the Airports or rearrangement or readjustment of the obligations of the Airport Trustees under the Indenture; or

(x) if the Airport Trustees are for any reason rendered incapable of fulfilling their obligations under the Indenture; or

(ix) if the Bond Trustee shall have received written notice from the issuer of a Support Facility of an occurrence of an event of default under such Support Facility or the Support Agreement.

The Bond Trustee shall give written notice by mail to all the registered holders of Bonds of all Events of Default known to the Bond Trustee within ninety (90) days after the occurrence thereof, unless the Event of Default shall have been cured before the giving of such notice. However, in certain circumstances, under the Indenture, the Bond Trustee may withhold such notice if there is a good faith determination that the withholding of such notice is in the best interest of the holders of the Bonds.

Upon the occurrence of an Event of Default and at any time thereafter while such Event of Default continues, the holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding or the Bond Trustee, in either case by appropriate notice, may declare the principal of all Bonds then Outstanding immediately due and payable, and such principal will thereupon become and be immediately due and payable.

If, however, at any time after the principal of the Bonds shall have been so declared to be due and payable, and before the entry of final judgment or decree in any action instituted on account of such Event of Default, or before the completion of the enforcement of any other remedy under the Indenture, moneys sufficient to make the required payment or payments shall have accumulated in the Bond Fund and if the charges, compensation, expenses, disbursements, advances and liabilities of the Bond Trustee and all other amounts then payable by the Airport Trustees under the Indenture shall have been paid or a sum sufficient to pay the same shall have been deposited with the Bond Trustee, and every other Event of Default known to the Bond Trustee in the observance or performance of any covenant, condition or agreement contained in the Bonds or in the Indenture (other than a default in the payment of the principal of such Bonds then due only because of a declaration under this paragraph) shall have been remedied to the satisfaction of the Bond Trustee, or, in the case of any Event of Default other than the nonpayment

of an amount due and owing or any of the Events of Default set forth in clauses (i), (ii) or (iii) above, the Airport Trustees shall be taking, or shall be causing to be taken, appropriate action in good faith to effect its cure, then and in every such case the Bond Trustee may, and upon the written request or direction of the holders of not less than a majority in principal amount of the Bonds then Outstanding shall, in accordance with the Indenture, rescind and annul such declaration and its consequences.

If any one or more of the Events of Default occurs and is continuing, subject to the provisions, limitations and conditions summarized above, the Bond Trustee (i) for and on behalf of the holders of the Bonds, will have the same rights under the Indenture which are possessed by any holders of the Bonds; (ii) will be authorized to proceed, in its own name and as trustee of an express trust; (iii) may pursue any available remedy by action at law or suit in equity to enforce the payment of the principal of and interest and premium, if any, on the Bonds; (iv) may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Bond Trustee and of the holders of the Bonds recognized in any judicial proceedings relative to the Airport Trustees, their creditors or their property; and (v) may, and upon the written request of the holders of not less than a majority in principal amount of the Bonds then Outstanding is required to, proceed to protect and enforce all rights of the Bondholders and the Bond Trustee under and as permitted by the Indenture and the laws of the State of Oklahoma by such means and by such appropriate judicial proceedings as are suitable or deemed by it most effective, including any actions, suits or proceedings at law or in equity or otherwise, whether for the specific performance of any covenant or agreement contained in the Indenture, or in aid of execution of any power granted in the Indenture, or to enforce any other legal or equitable right vested in the holders of the Bonds or the Bond Trustee by the Indenture or by law, or for the appointment of a receiver. The holders of not less than a majority in principal amount of the Bonds at the time Outstanding shall be authorized and empowered, after providing indemnification satisfactory to the Bond Trustee, (i) to direct the time, method and place of conducting any proceeding for any remedy to be taken by the Bond Trustee or available to the Bond Trustee or available to the holders of the Bonds, or exercising any power conferred upon the Bond Trustee under the Indenture; or (ii) on behalf of the holders of the Bonds then Outstanding, to consent to the waiver of any Event of Default or its consequences and the Bond Trustee shall waive any Event of Default and its consequences upon the written request of the holders of such majority.

No Bondholder shall have any rights to institute any action in equity or at law for the execution of any trust under the Indenture or for any other remedy under the Indenture unless such holder previously shall have given to the Bond Trustee written notice of the Event of Default on account of which such action is to be instituted, and unless also the holders of not less than a majority in principal amount of the Bonds then Outstanding shall have made written request of the Bond Trustee after the rights to exercise such powers or right of action, as the case may be, shall have accrued, and shall have afforded the Bond Trustee a reasonable opportunity either to proceed to exercise the powers granted under the Indenture or to institute such action, in its or their name, and the Bond Trustee shall have refused or neglected to comply with such request within a reasonable time. It is understood and intended that no one or more holders of the Bonds secured by the Indenture shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right thereunder except in the manner therein provided; that all proceedings at law or in equity shall be instituted, had and maintained in the manner therein provided and for the benefit of all holders of such Outstanding Bonds; and that any individual rights of action or other rights given to one or more of such holders by law are restricted by the Indenture to the rights and remedies provided therein.

Notwithstanding any other provision of the Indenture, the right of any Bondholder to receive payment of the principal of and interest on such Bond, on or after the respective due dates expressed in such Bond, or to institute suit for the enforcement of any such payment on or after such respective dates, shall not be impaired or affected without the consent of such holder, except that no such Bondholder shall have the right to institute any such suit, if and to the extent that the institution or prosecution thereof or the entry of judgment therein would, under applicable law, result in the surrender, impairment, waiver or loss of the lien of the Indenture upon any property subject to the lien thereof.

No remedy by the terms of the Indenture conferred upon or reserved to the Bond Trustee or to the holders of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy is cumulative and in addition to any other remedy given to the Bondholders under the Indenture or existing at law, in equity or by statute.

## Special Obligation Bonds and Special Facility Leases

Notwithstanding anything in the Indenture to the contrary, the Airport Trustees may enter into contracts, leases, subleases or other agreements pursuant to which the Airport Trustees will agree to construct a facility on land constituting part of the Airport or will agree to acquire and construct a facility on land not then constituting part of the Airport (which land if not then owned or leased by the Airport Trustees may be acquired for such purpose), or to acquire and remodel, renovate or rehabilitate a building, structure, or other facility (including the site thereof) (all such facilities being defined as the "Special Facility"), and lease such Special Facility under the following conditions:

1. A Special Facility Lease shall be entered into between the Airport Trustees, as lessor, and the user or occupier of such Special Facility, as lessee, pursuant to which the lessee shall agree to pay the Airport Trustees in each year during the term thereof, which term shall not be less than the maturity of any related Special Obligation Bonds: (i) facility rentals (referred to in this summary as the "facility rentals") in periodic installments which will be sufficient to pay during such term as the same respectively becomes due the principal of and interest on all related Special Obligation Bonds; (ii) such further rentals as shall be necessary or required to provide or maintain all reserves required for such related Special Obligation Bonds and to pay all issuance and other fees thereof, including, trustees', fiscal agents' and paying agents' fees and expenses and all fees and expenses associated with any Support Facility delivered in connection therewith; and (iii) unless a facility rental shall be provided for in accordance with and pursuant to the next subparagraph of this section, an additional rental shall be payable in periodic installments and free and clear of all charges under such Special Facility Lease to cover the allocable administrative costs of the Airport Trustees as a result of the Special Facility Lease and the issuance and servicing of such Special Obligation Bonds;

2. If the land on which the Special Facility is to be constructed constitutes a part of the Airport, the Special Facility Lease referred to in subparagraph 1 above of this summary of Special Obligation Bonds shall provide for payment to the Airport Trustees of a ground rental for the ground upon which such Special Facility is or is to be located. If the Special Facility Lease provides for such ground rental, it shall be payable in periodic installments in amounts not less than rental payments for other comparable ground space constituting part of the Airport as determined from time to time by the Airport Trustees; shall be free and clear of all charges under such Special Facility Lease; shall be in addition to the rentals required by subparagraph 1 above of this summary of Special Obligation Bonds, and shall constitute Gross Revenues and be paid into the Revenue Fund, to be used and applied as are other moneys deposited therein; and

3. If the Special Facility is or is to be located on land constituting a part of the Airport, the Special Facility Lease shall provide that all rentals payable thereunder pursuant to subparagraph 1 above of this summary of Special Obligation Bonds which are not required to pay the Special Obligation Bonds (including reserves for such Special Obligation Bonds) or required to pay trustees', fiscal agents' and paying agents' and other necessary advisors' fees and expenses in connection therewith, or required to pay the aforesaid administrative costs of the Airport Trustees and costs associated with any related Support Facility, shall be paid to the Airport Trustees for their own use and purposes. To the extent permitted by law, such excess amounts shall constitute Gross Revenues and be paid into the Revenue Fund, to be used and applied as are other moneys deposited therein.

The term "Special Facility Lease" means a lease or sublease pursuant to which the lessee or sublessee agrees to pay to the Airport Trustees the required rentals as summarized above and to pay in addition all costs connected with the ownership, operation, maintenance, repair, renewals and rehabilitation of the leased or subleased property (including, without limitation, insurance, utilities, taxes, or payments in lieu of taxes and assessments) under such conditions so that the amounts payable to the Airport Trustees pursuant to such lease or sublease (exclusive of the ground rental or additional rental in lieu thereof) shall be paid free and clear of all charges and whether or not the leased or subleased property is used and occupied, or capable of being used and occupied, by the lessee or sublessee.

Anything in the Indenture to the contrary notwithstanding, the Airport Trustees may issue Special Obligation Bonds for a Special Facility on ground then constituting part of the Airports or on ground not then constituting part of the Airports (which ground may then be owned or leased by the Airport Trustees or acquired for that purpose), or to acquire, renovate, expand and rehabilitate a Special Facility (including the acquisition of

necessary land), for lease or sublease pursuant to the provisions of the Indenture. Such Special Obligation Bonds (i) shall be payable solely from facility rentals payable pursuant to the Special Facility Lease entered into with respect to the Special Facility to be financed from such Special Obligation Bonds; (ii) shall not be a charge or claim against or payable from or secured by the Net Revenues or any other moneys held under the Indenture; (iii) shall mature within both the useful life of the Special Facility (as estimated by the Airport Trustees) to be financed from such Special Obligation Bonds and the term of the Special Facility Lease entered into with respect to such Special Facility; and (iv) shall not be issued unless and until certain additional conditions under the Indenture have been met.

Special Obligation Bonds may be refunded by an issue of refunding Special Obligation Bonds in accordance with the provisions of the Indenture. Special Obligation Bonds may also be refunded by Additional Bonds if (i) all Special Obligation Bonds then Outstanding and unpaid pertaining to the particular Special Facility are refunded at one (1) time from such Additional Bonds or are then otherwise retired; and (ii) the conditions contained in the Indenture for the issuance of Refunding Bonds are complied with upon such refunding, and, for the purposes of any such refunding, such refunding will be considered as though the Airport Trustees were acquiring such Special Facility by the issuance of such Additional Bonds.

If a Special Facility is located on land constituting a part of the Airports, upon the retirement of the indebtedness evidenced by the Special Obligation Bonds issued therefor or evidenced by refunding Special Obligation Bonds, all rentals and other income thereafter received by the Airport Trustees from the Special Facility for which such Special Obligation Bonds were issued shall, to the extent permitted by law, constitute Gross Revenues and be paid into the Revenue Fund, to be used and applied as are other moneys deposited therein, and if such rentals and other income constitute Gross Revenues, such Special Facility will, unless contrary to law, then constitute part of the Airport for all purposes of the Indenture; *provided, however*, that if any such Special Obligation Bonds are retired through the refunding thereof from the proceeds of Additional Bonds, such Special Facility in all events will thereafter constitute part of the Airport for all purposes of the Indenture.

#### **Discharge of Liens and Pledges; Bonds No Longer Outstanding Under the Indenture**

The obligations of the Airport Trustees under the Indenture and the liens, pledges, charges, trusts, assignments, covenants and agreements of the Airport Trustees therein made or provided for, shall be fully discharged and satisfied as to any Bond and such Bond will no longer be deemed to be Outstanding thereunder when such Bond has been cancelled, or has been purchased by the Bond Trustee from moneys in the Bond Fund held by it under the Indenture, or when payment of the principal of and the applicable redemption premium, if any, on such Bond, plus interest thereon to the due date thereof either (i) has been made or caused to be made in accordance with the terms thereof; or (ii) has been provided for by irrevocably depositing with the Bond Trustee or Registrar and Paying Agent for the Bonds of such series of Bonds, in trust and irrevocably appropriated and set aside exclusively for such payment, (a) moneys sufficient to make such payment, or (b) Governmental Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment and all necessary and proper fees, compensation and expenses of the Bond Trustee and the Registrar and Paying Agent pertaining to the Bonds with respect to which such deposit is made have been paid or the payment thereof provided for to the satisfaction of the Bond Trustee and such Registrar and Paying Agent. At such time as a Bond is deemed to be no longer Outstanding under the Indenture, such Bond will cease to draw interest from the due date thereof and, except for the purposes of any such payment from such moneys or Governmental Obligations, will no longer be secured by or entitled to the benefits of the Indenture.

#### **Supplemental Indenture Provisions Relating to the Bond Insurance Policy**

Concurrently with the issuance of the 2018A Bonds, Assured Guaranty Municipal Corp. (“AGM”) will issue its Municipal Bond Insurance Policy (the “Policy”) for such 2018A Bonds. The Policy guarantees the scheduled payment of principal of and interest on the 2018A Bonds when due as set forth in the form of the Policy included as Appendix H to this Official Statement. The Airport Trustees have granted AGM certain rights authorized under the Indenture, including the right to be deemed the sole Bondholder of the 2018A Bonds whenever the approval, consent or action of the Bondholder is required. See “BOND INSURANCE” in the forepart of this Official Statement.

**REPORT OF LEIGH FISHER AIRPORT CONSULTANT**

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Appendix F

**REPORT OF THE AIRPORT CONSULTANT**

on the proposed issuance of

TRUSTEES OF THE TULSA AIRPORTS IMPROVEMENT TRUST  
GENERAL AIRPORT REVENUE BONDS  
SERIES 2018A BONDS

Prepared for

Trustees of the Tulsa Airports Improvement Trust  
Tulsa, Oklahoma

Prepared by

LeighFisher  
Burlingame, California

October 10, 2018

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October 10, 2018

Mr. Jeff Stava  
Chairperson of the Board of Trustees  
Tulsa Airports Improvement Trust

Mr. Mark VanLoh  
Chief Executive Officer  
Tulsa Airports Improvement Trust  
7777 East Apache Street  
Tulsa, Oklahoma 74115

Re: Report of the Airport Consultant, Trustees of the Tulsa Airports Improvement Trust,  
General Airport Revenue Bonds, Series 2018A

Dear Mr. Stava and Mr. VanLoh:

We are pleased to submit this Report of the Airport Consultant on certain aspects of the proposed issuance of Trustees of the Tulsa Airports Improvement Trust General Airport Revenue Bonds, Series 2018A (the 2018A Bonds) by the Trustees of the Tulsa Airports Improvement Trust (the Trust), which operates and manages Tulsa International Airport (the Airport) and R.L. Jones, Jr. Airport (collectively with the Airport, the Airport System).

This letter and the accompanying attachment and exhibits constitute our report. The purpose of this report is to evaluate the ability of the Trust to generate sufficient Gross Revenues, together with any Dedicated Revenues, from the operation of the Airport System to satisfy the requirements of the Rate Covenant through Fiscal Year\* (FY) 2024 (the Forecast Period) considering Debt Service on Outstanding Bonds, proposed 2018A Bonds, and any future bond issuances planned to be issued within the forecast period, if any.

This report: (1) describes the economic base that supports air traffic demand; (2) describes the historical and forecast airline traffic activity of the Airport System; (3) describes the financial framework of the Trust; (4) describes passenger facility charge (PFC) and rental car customer facility charge (CFC) collections and revenues, and factors that affect those collections and revenues; (5) summarizes the capital projects to be funded in part with proceeds of the 2018A Bonds; (6) provides scheduled and forecast debt service payments through FY 2024; (7) discusses Airport System revenues and expenses, as well as factors that affect the revenues and expenses; and (8) provides historical and forecast information for debt service coverage, airline rates and charges, and other financial measures through FY 2024.

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\*The Trust's Fiscal Year ends June 30.

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Mr. Mark VanLoh  
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## **PROPOSED 2018A BONDS**

The Trust intends to issue approximately \$19.28 million\* of 2018A Bonds, pursuant to the Bond Indenture, as amended and restated, on a parity basis with all of the Trust's Outstanding Bonds.\*\*

According to the Trust, proceeds of the 2018A Bonds are to be used to finance a portion of the costs of the Terminal Rehabilitation project at the Airport and to pay capitalized interest on the 2018A Bonds, fund the 2018 Bond Reserve Requirement, and pay certain issuance costs associated with the 2018A Bonds. The 2018A Bonds are being issued as General Airport Revenue Bonds, to be repaid from Gross Revenues of the Airport System.

### **Bond Indenture**

The 2018A Bonds are to be issued pursuant to the Trustees of the Tulsa Airports Improvement Trust, Bond Indenture, adopted by the Trust on December 1, 1984. The Bond Indenture was further amended and supplemented by an Amended and Restated Bond Indenture, dated November 1, 2009, and several subsequent supplemental bond indentures (collectively, the Bond Indenture). Under the provisions of the Bond Indenture, the 2018A Bonds are to be issued as Additional Bonds, payable from and secured solely by the sources pledged under the Bond Indenture, which consist primarily of the Net Revenues and Dedicated Revenues of the Airport System. Except as otherwise defined herein, capitalized terms in this report are used as defined in the Bond Indenture or the Airport-Airline Use and Lease Agreements (discussed later).

### **Rate Covenant**

In Section 7.1 of the Bond Indenture, referred to as the Rate Covenant, the Trust covenants that in each Fiscal Year, it will impose and collect fees and charges for use of the Airport System at levels sufficient to generate annual Gross Revenues plus any Dedicated Revenues in an amount at least equal to the total of:

- 125% of the Debt Service due during the Fiscal Year
- Estimated and budgeted Operating Expenses during the Fiscal Year
- An amount equal to the aggregate of deficiencies in any fund or account (or so much as is required to be repaid during such Fiscal Year) held under Indenture.

Gross Revenues are defined in the Bond Indenture and summarized herein to include all income, revenues and moneys derived from rates, rentals, fees and charges (including CFCs) fixed, imposed and collected or accrued by the Trustees arising through the operation and management of the Airport. Gross Revenues also include moneys available in the Airport Improvement Fund on the first day of each Fiscal Year. Gross Revenues exclude PFC revenues; proceeds from the sale of bonds, notes, or other debt; and the receipt of grants or gifts such as federal grants-in-aid. Dedicated Revenues are defined in the Indenture to mean PFCs and other similar charges, state and/or federal grants or other moneys that are

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\*References in the report to the Bond Indenture, resolutions and ordinances of the Trust, and various leases and agreements entered into by the Trust, do not purport to be comprehensive or definitive, and all such references are qualified in their entirety by reference thereto.

\*\*\$19.28 million is a preliminary figure and subject to change pending completion of the transaction.

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not Gross Revenues, but which the Trustees have dedicated to pay an amount equal to 1.25 times principal of and/or interest on Bonds.

### **Conditions for Issuing Additional Bonds**

Section 2.3 of the Bond Indenture allows for the issuance of Additional Bonds, but only upon compliance with the following conditions:

1. The Trustees shall have found and determined that no default exists in the payment of the principal of or interest and premium (if any) of any Bond; all mandatory redemptions (if any) of Bonds required to have been made from the Principal Account in the Bond Fund shall have been made; and all payments required by law or agreement to have been made to the time of such finding or determination to the City by reason of the issuance of bonds, notes or other evidences of indebtedness of such City for the Airport upon request of the Trustees shall have been made;
3. The Accountant or Airport Consultant shall have certified that:
  - (a) For any twelve (12) consecutive months out of eighteen (18) months immediately preceding the month in which the Additional Bonds proposed to be issued are delivered and paid for, the Net Revenues for such period on the accrual bases of accounting plus Dedicated Revenues for such period shall have been equal to not less than one hundred twenty-five percent (125%) of the Debt Service for such twelve (12) month period on all Bonds Outstanding as of the last day of such twelve (12) month period plus Debt Service on such Additional Bonds to be issued; or
  - (b) The Net Revenues, as estimated by such person, to be derived either (i) in each of the five (5) Fiscal Years following the Fiscal Year in which such Additional Bonds are issued, or (ii) in each of the three (3) Fiscal Years following the Fiscal Year in which the Trustees estimate a substantial portion of the project or projects, the Costs of Construction of which are to be financed from the proceeds of the issuance of such Additional Bonds, are placed in continuous service or in commercial operation, whichever is later, plus any Dedicated Revenues for such period shall equal not less than one hundred twenty-five percent (125%) of the Debt Service in each Fiscal Year on all Bonds to be Outstanding upon the issuance of such Additional Bonds and including such Additional Bonds.

The 2018A Bonds are considered Additional Bonds under Section 2.3 of the Bond Indenture and, as such, the Trust is required to retain an Airport Consultant to demonstrate compliance with certain conditions for issuing Additional Bonds. The Trust retained LeighFisher as the Airport Consultant for the purpose of determining compliance with the requirements of condition 3(b) above in connection with the issuance of the 2018A Bonds. In connection with the issuance of the 2018A Bonds, LeighFisher will separately provide the certificate with respect to condition 3(b) above.

### **CAPITAL PROGRAM**

A key component of the Trust's Capital Program is the rehabilitation of the terminal building at the Airport. The Terminal Rehabilitation involves the design, renovation, equipping and rehabilitation of the

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terminal building located at the Airport, including restroom demolition and rehabilitation, relocation of utility chase, fire suppression, boiler replacement, addition of skylights at Schwab Hall and bag claim areas, roof replacement, the relocation of airline ticket counters, the demolition of abandoned tunnel utilities, and the repair of tunnel utility racks.

In addition to the Terminal Rehabilitation, the Trust's current capital program for the Airport System which extends from FY 2019 through FY 2023 (the Capital Program) also includes other projects that the Trust is currently implementing and may implement in the future, as described further in the report. The Trust's planned funding sources for the other projects in the Capital Program include pay-as-you-go PFC revenues, federal and state grants, Trust funds, and other future funding.

The Trust may decide to issue Additional Bonds as the future funding source for these projects. According to the Trust, the other projects in the Capital Program would be implemented as necessary, based on demand and available funds although there is no assurance that the Trust will issue such Bonds. No Additional Bond issuance during the forecast period (beyond the 2018A Bonds) was assumed for purposes of this report.

## **AIRLINE AGREEMENTS**

A long-term agreement between the Trust and the airlines serving the Airport expired on June 30, 2018 (the Prior Agreement). The Prior Agreement included procedures for the annual review and adjustment of airline rentals, fees, and charges so that the Airport System yields Net Revenues plus Dedicated Revenues at least sufficient to meet the Rate Covenant. Under the Prior Agreement, the Signatory Airlines pay Terminal Rental Rates calculated according to a modified commercial compensatory methodology. Landing fees are calculated according to a cost center residual methodology. The Prior Agreement included a provision for "extraordinary coverage protection" which permits the Trust to adjust Signatory Airline rates upon 30 days written notice if the Trust estimates it will not meet the Rate Covenant.

Under the Prior Agreement, capital projects are deemed approved by the Signatory Airlines unless they are specifically disapproved by a Majority-in-Interest (MII) of the Signatory Airlines. The Prior Agreement also included a pre-approved capital improvement program (the Pre-Approved CIP). The Pre-Approved CIP contains a list of planned capital expenditures and a corresponding funding plan for the Airport System that was agreed to by the Trust and the Signatory Airlines. The Prior Agreement provides the Trust with the right to include capital and operating expenses associated with projects in the Pre-Approved CIP in the calculation of airline rentals, fees and charges. Per the Trust, no MII disapprovals were received for the terminal rehabilitation project. Therefore, no MII disapprovals were received which were related to the issuance of the 2018A Bonds.

Effective July 1, 2018, the Trust extended the Prior Agreement for an additional year to allow for the negotiation of a new airline agreement. The extended Airport-Airline Use and Lease Agreements (collectively, the Airline Agreement, or Bridge Agreement) expires June 30, 2019 and provides for the following changes: (1) suspending the holdover provision during the extended term, (2) reducing the nonsignatory Landing Fee Rate from 150% to 125%, (3) adjusting the airfield area requirement provision by removing the Reliever Airport cost center, and (4) restricting or capping the amount Signatory Airlines pay to the Airport for Landing Fees, Terminal Rentals, and Baggage Fees, net of the revenue sharing

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provision. As stated within the Bridge Agreement, the annual cap for the combined Airline and Cargo Carrier Signatory Landing Fees is \$6.5 million, and the annual cap for the Signatory Terminal Rents is \$5.0 million (including Signatory Baggage System fees). There will be no revenue sharing during the Bridge Agreement year or yearend reconciliation.

Key provisions in the new airline agreement are currently being negotiated, but Airport management anticipates no significant changes from the existing terms that would affect the Trust's finances. For purposes of this report, it was assumed that the new agreement will be substantially similar to the current Bridge Agreement and will therefore lead to financial results which are substantially similar. However, it is anticipated that the new airline agreement will not include the revenue caps that are included in the Bridge Agreement and will include revenue sharing and annual yearend reconciliation. As such, the methodology for calculating airline rentals, fees, and charges under the current Bridge Agreement was assumed to continue through the entire forecast period (FY 2024), with the exception of the revenue caps and the reestablishment of revenue sharing and yearend settlement.

## **SCOPE OF REPORT**

In conducting the study, we analyzed the following among other things:

- Historical and future airline traffic demand at the Airport, considering the economic characteristics of the region served by the Airport, historical trends in airline traffic, and key factors that will affect future traffic
- The estimated sources and uses of funds for the Capital Program and estimated annual Debt Service, including the sources and uses of funds and estimated debt service for the 2018A Bonds as prepared by Hilltop Securities
- Historical relationships between Gross Revenues, Operating Expenses, and Airport activity, as well as other factors that may affect future Gross Revenues and Operating Expenses
- The Trust's audited financial results for FY 2016 and FY 2017, unaudited financial results for FY 2018, and budgeted financial performance for FY 2019
- The Trust's policies and contractual agreements relating to the use of Airport System facilities; the calculation and adjustment of airline rentals, fee, and charges; the operating of public automobile parking, rental car, and other concession services; and the leasing of buildings and grounds
- The Trust's existing Airline Agreement and intentions related to the future airline agreement
- The Trust's historical practices and future plans with regard to designating certain revenue sources as Dedicated Revenues
- Historical and forecast PFC and CFC collections, interest income and expenditures
- Current and future PFC application approvals

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We also assisted the Trust staff in identifying the key factors upon which the future financial results of the Airport System may depend and in formulating assumptions about those factors. On the basis of these assumptions, we assembled the financial forecasts presented in the exhibits at the end of this report.

We have relied upon the Trust and its consultants for estimates of project costs, funding sources, and construction schedules and upon Hilltop Securities, the Trust’s financial advisor, for the plan of debt finance and the estimated Debt Service on the proposed 2018A Bonds. The forecasts take into account the Operating Expenses and Gross Revenues associated with implementing the projects in the Capital Program. The financial forecasts are predicated on the assumption that the Trust will collect all airline rentals and fees required by the provisions of the Airline Agreement through the forecast period.

**SUMMARY OF FORECAST RESULTS**

Based on our review, we have concluded that:

- Enplaned passengers at the Airport are forecast to increase at an average annual rate of 1.6% from FY 2018 through FY 2024 (see Table 7 and Table 11 in the accompanying attachment)
- Airline payments per enplaned passenger (costs per enplanement) are projected to decrease compared to their historical levels throughout the life of the forecast period with some variability resulting from the Bridge Agreement and lower annual debt service (see Exhibit E in the accompanying attachment)\*
- Gross Revenues plus Dedicated Revenues are forecast to be sufficient to satisfy the requirements of the Rate Covenant in each year of the forecast period (see Exhibit J)

| <b>Forecasted Debt Service Coverage</b> |             |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|
|   | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> | <u>2023</u> | <u>2024</u> |
| Debt Service Coverage Ratio             | 1.77        | 2.11        | 2.10        | 2.17        | 2.17        | 2.43        |

**Assumptions Underlying the Financial Forecasts**

The forecasts presented in this report are based on information and assumptions that were provided by or reviewed with and agreed to by Trust management. The forecasts reflect Trust management’s expected course of action during the forecast period and, in Trust management’s judgment, present fairly the expected financial results of the Airport System. Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, “Background, Assumptions, and Rationale for the Financial Forecasts.” The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

---

\*As part of the Bridge Agreement, the Airport has agreed to forego revenue sharing and yearend settlement during the Bridge Agreement year while capping combined Airline and Cargo Carrier Signatory Landing Fees at \$6.5 million and combined Airline Signatory Baggage System fees at \$5.0 million.

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In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. Neither LeighFisher nor any person acting on our behalf makes any warranty, express or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in the report. We have no responsibility to update this report for events and circumstances occurring after the date of the report.

\* \* \* \* \*

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

Respectfully submitted,  
*Leigh Fisher*  
LEIGHFISHER

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## 1. AIRLINE TRAFFIC ANALYSIS

This section presents a summary of Tulsa International Airport (the Airport) facilities, discusses the Airport service region and Airport role, presents the economic basis for airline traffic at the Airport, summarizes historical airline service and traffic at the Airport, discusses the key factors that will affect future airline traffic, and then summarizes the airline traffic forecasts for the Airport through Fiscal Year (FY) 2024. The Tulsa Airport Improvement Trust's (TAIT or Trust) Fiscal Years end on June 30.

### 1.1 AIRPORT FACILITIES

Tulsa International Airport has been in service since 1928 and is located on 4,926 acres approximately 7 miles northeast of Tulsa's Central Business District. The Airport is situated completely within the boundaries of the City of Tulsa. Highway access to the Airport is provided via Oklahoma State Route 11 (the Gilcrease Expressway) with the terminal building entrance located approximately 2 miles north of Interstate 244.

The Airport's airline passenger terminal encompasses approximately 568,000 square feet. Of the 22 aircraft gate locations, 15 are equipped with loading bridges. The first level of the terminal provides passenger ticketing and baggage check-in facilities. The ground level provides baggage claim facilities, rental car counters, and a centralized passenger security screening checkpoint, which opens to the Airport's centrally located main concessions area. Two concourses are situated perpendicularly to each end of the central terminal area. Concourse A is located to the north of the central terminal area and Concourse B is located to the south.

The Airport has three runways. Runway 18L-36R (9,999 feet long) is the primary air carrier runway. Runway 18R-36L (6,101 feet long) is used primarily by smaller, lighter general aviation aircraft (e.g., turboprops). The crosswind runway, Runway 8-26 (7,376 feet long), is used for both commercial and general aviation operations, based on wind conditions and operational considerations.

Public parking facilities consist of a parking garage and surface lots with a total of 4,356 parking spaces, including 2,622 spaces in the parking garage, 1,603 Economy Parking spaces, and 131 valet spaces located in the garage.

Other Airport facilities include a 332-acre aviation facility which was originally built by the federal government and was formerly known as Air Force Plant No. 3. This facility is now leased to the City of Tulsa. The Airport is also home to the American Airlines Maintenance and Engineering Center, which is situated on about 244 acres of Airport land. This facility includes six hangars, in which heavy maintenance is performed on various types of major commercial aircraft. In addition, the Oklahoma Air National Guard operates a base in the northeast section of the airfield.

R.L. Jones, Jr. Airport, which is also part of the Tulsa airport system, serves as the general aviation reliever for the Airport and is situated on 752 acres in southwest Tulsa. Approximately 542 general aviation aircraft are based there and the airport is served by a Federal Aviation Administration (FAA) airport traffic control tower. R.L. Jones, Jr. Airport has three runways. Runway 1L-19R (5,102 feet long) is the primary runway. Runway 1R-19L (4,208 feet long) is the secondary runway, and Runway 13-31 (2,641 feet long) serves as the crosswind runway.

## 1.2 AIRPORT SERVICE REGION

As shown on Figure 1, the primary geographical area served by the Airport consists of Creek, Okmulgee, Osage, Pawnee, Rogers, Tulsa, and Wagoner counties in Oklahoma (the Tulsa Metropolitan Statistical Area or Tulsa MSA). According to the U.S. Department of Commerce, Bureau of the Census, the population of the Tulsa MSA was 990,706 in 2017, accounting for approximately 25% of Oklahoma’s total population of 3.9 million. Tulsa County includes the City of Tulsa and accounts for approximately 65% of the population of the Tulsa MSA, as shown in Table 1. Because economic growth and activity within this area stimulate a significant portion of passenger demand at the Airport, statistics for the Tulsa MSA were used to assess likely future airline travel demand at the Airport.

Table 1  
**Population Distribution in the Tulsa MSA**  
(2017)

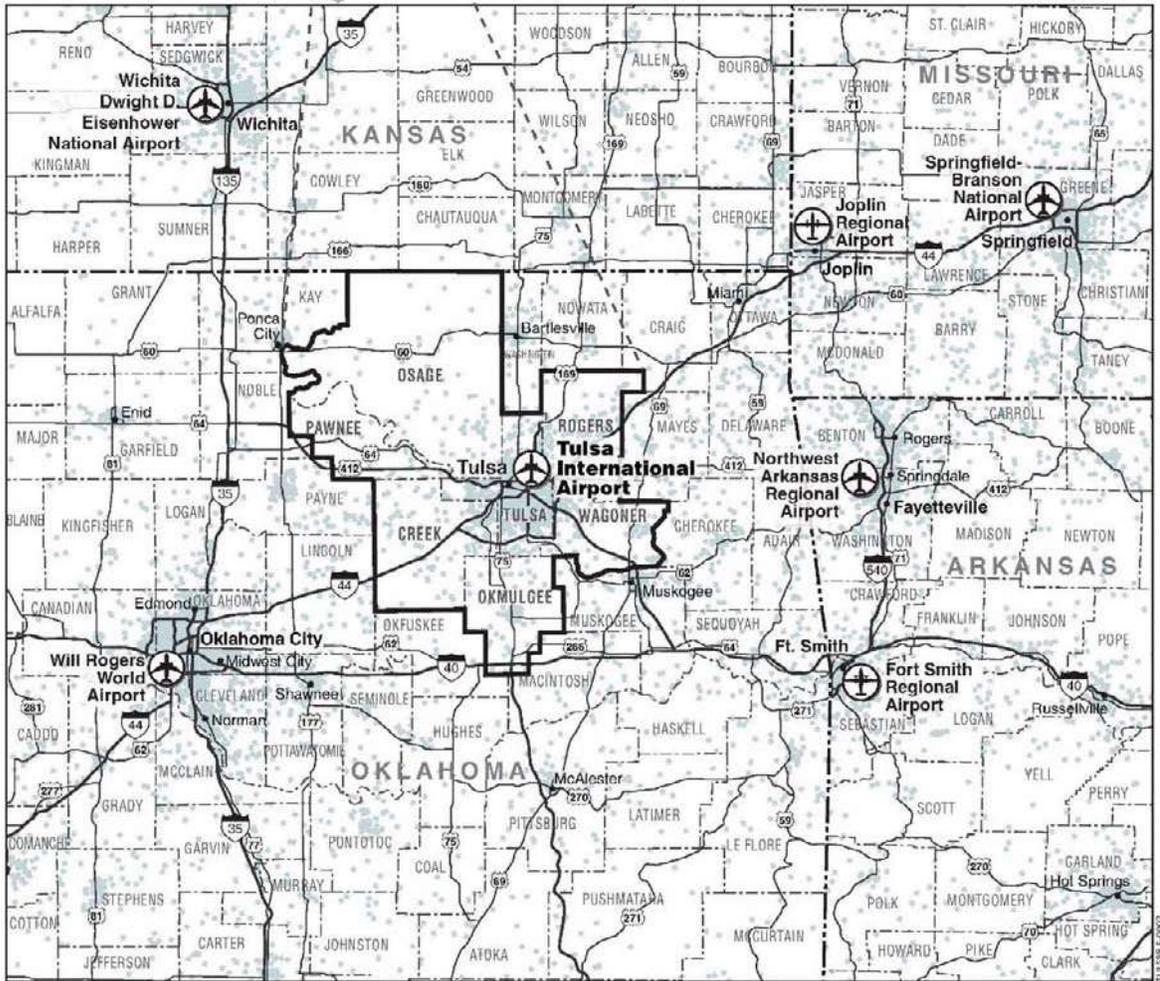
| County   | Population | Percent of total |
|----------|------------|------------------|
| Tulsa    | 646,266    | 65.2%            |
| Rogers   | 91,444     | 9.2              |
| Creek    | 71,704     | 7.2              |
| Wagoner  | 78,657     | 7.9              |
| Osage    | 47,233     | 4.8              |
| Okmulgee | 38,930     | 3.9              |
| Pawnee   | 16,472     | 1.7              |
| Total    | 990,706    | 100.0%           |

Source: U.S. Department of Commerce, Bureau of the Census,  
accessed August 2018, [www.census.gov](http://www.census.gov).

Figure 1  
Airport Service Region



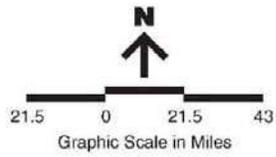
| Road miles from Tulsa to: |     |
|---------------------------|-----|
| Fayetteville              | 100 |
| Oklahoma City             | 105 |
| Wichita                   | 174 |
| Kansas City               | 251 |
| Dallas/Fort Worth         | 263 |
| Little Rock               | 276 |
| St. Louis                 | 391 |
| Baton Rouge               | 591 |
| Albuquerque               | 651 |
| Denver                    | 696 |



**LEGEND**

- Primary Airport service region
- 1 dot = 500 people
- Air carrier airport
- Commuter service airport
- State boundary
- County boundary

Source: U.S. census data.



The secondary region served by the Airport, which includes many of the counties surrounding the Tulsa MSA, is defined by the location of (and the airline service offered at) other nearby commercial service airports, including Will Rogers World Airport in Oklahoma City, Wichita Dwight D. Eisenhower Airport in Wichita, Northwest Arkansas Regional Airport in Fayetteville, and Springfield-Branson National Airport in Springfield. Other airports near Tulsa, such as those in Joplin, Missouri and Fort Smith, Arkansas offer more limited passenger service.

The average numbers of scheduled daily flight departures from each of these airports, as currently scheduled for October 2018, are listed in Table 2. Will Rogers World Airport, 105 road miles from Tulsa, is the most frequently considered alternative to Tulsa International Airport among residents of and visitors to the Tulsa MSA because of its relative proximity and its similar level of service.

Table 2  
**Scheduled Airline Service at Airports Near Tulsa**  
 (October 2018)

| Airport location | Driving distance from Tulsa (miles) | Average daily passenger airline nonstop departures |                     |                   | Total |
|------------------|-------------------------------------|--|---------------------|-------------------|-------|
|                  |                                     | Mainline carriers                                  | Regional affiliates | Low-cost carriers |       |
| Tulsa            | -                                   | 13   | 22                  | 16                | 51    |
| Oklahoma City    | 105                                 | 12   | 40                  | 20                | 72    |
| Fayetteville     | 100                                 | 3  | 36                  | 1                 | 40    |
| Wichita          | 174                                 | 6  | 21                  | 5                 | 32    |
| Springfield      | 181                                 | -  | 26                  | 2                 | 28    |
| Fort Smith       | 134                                 | -  | 6                   | -                 | 6     |
| Joplin           | 120                                 | -  | 2                   | -                 | 2     |

Source: OAG Aviation Worldwide Ltd., online database, accessed August 2018.

### 1.3 AIRPORT ROLE

As discussed in the following sections, the Airport is a primary commercial service airport that serves parts of Oklahoma and the adjacent states of Arkansas, Kansas, and Missouri; has a largely originating passenger base; and is a small air traffic hub airport\* in the national air transportation system.

#### 1.3.1 Commercial Service Airport Serving Oklahoma and Adjacent States

Table 3 shows that the Airport accounted for 25.6% of the 5.4 million passengers enplaned at the seven commercial service airports serving Oklahoma and nearby portions of Arkansas, Kansas, and Missouri during the 12 months ended March 2018. Both commercial service airports in Oklahoma—Tulsa International Airport and Will Rogers World Airport—are served by low-cost carriers (LCCs), which provided an average of 16 and 20 daily flights from those airports, respectively, as shown earlier in Table 2.\*\*

Table 3  
Enplaned Passengers at Commercial Service Airports  
in Oklahoma and Adjacent States

| Airport                                    | Enplaned<br>passengers (a) | Percent of<br>total |
|--|----------------------------|---------------------|
| Tulsa International                        | 1,387,905                  | 25.6%               |
| Will Rogers World (Oklahoma City)          | 1,927,701                  | 35.5                |
| Wichita Mid-Continent                      | 793,165                    | 14.6                |
| Northwest Arkansas Regional (Fayetteville) | 703,932                    | 13.0                |
| Springfield-Branson National               | 488,730                    | 9.0                 |
| Fort Smith Regional                        | 84,729                     | 1.6                 |
| Joplin Regional                            | <u>37,745</u>              | <u>0.7</u>          |
| Total                                      | 5,423,907                  | 100.0%              |

Note: For 12 months ended March 31, 2018.

(a) Includes domestic and international activity.

Sources: U.S. Department of Transportation, T100 online database, accessed August 2018.

#### 1.3.2 Originating Passenger Base

The Airport's large originating passenger base (i.e., passengers beginning or ending their trips at the Airport) is dependent upon the strength of the Tulsa MSA's economy and its role as a business, trade, manufacturing, and government center. In FY 2018, originating passengers were estimated to account for more than 97% of all passengers enplaned at the Airport. No airline operates a connecting hub at the Airport.

\*A small hub is defined by the FAA as an airport that enplanes between 0.05% and 0.25% of all passengers enplaned on certificated route air carriers in all services in the 50 states, the District of Columbia, and other designated territorial possessions of the United States.

\*\*For purposes of this report, the following airlines are considered to be low-cost carriers: Allegiant Air, Frontier Airlines, JetBlue Airways, Southwest Airlines, Spirit Airlines, and Sun Country Airlines, as well as the defunct AirTran Airways, ATA, Independence Air, Midway Airlines, National Airlines, and Virgin America.

### 1.3.3 Small Air Traffic Hub

As mentioned earlier, the FAA classifies Tulsa as a small hub airport. According to the FAA, the Airport ranked as the 80th largest passenger airport in the United States in calendar year 2017 in terms of passenger enplanements. As described further in Section 1.5, “Historical Airline Service and Traffic,” in FY 2018, the Airport was served by 3 mainline passenger airlines, 11 regional carriers, and 4 LCCs, which together provided 51 daily nonstop departures to 20 destinations. The Airport was also served by seven all-cargo airlines.

## 1.4 ECONOMIC BASIS FOR AIRLINE TRAFFIC

The economy of the Tulsa MSA is an important determinant of long-term passenger demand at the Airport. The development and diversity of the economic base of an airport service region are both important to passenger traffic growth at the airport serving that region. This is particularly true where the industries in the region rely on the airport for passenger and cargo service. The Tulsa MSA has a diverse economic base driven by business, trade, manufacturing, energy, and mining and construction.

### 1.4.1 Population, Nonagricultural Employment, and per Capita Personal Income

Table 4 presents comparative historical and projected trends in population, nonagricultural employment, and per capita personal income in the Tulsa MSA, Oklahoma, and the United States from 2000 to 2017. Also presented are projected growth rates through 2022.

**Population.** From 2000 through 2017, the population of the Tulsa MSA increased at the same average annual growth rate (0.8% per year, on average) as Oklahoma and the nation. According to the 2018 Tulsa Economic Profile developed by the Center for Applied Economic Research at Oklahoma State University, population in the Tulsa MSA is projected to increase an average of 0.9% per year between 2018 and 2022, faster than rates for Oklahoma and the nation (0.6% and 0.8%, respectively).

**Nonagricultural Employment.** From 2000 to 2017, nonagricultural employment in the Tulsa MSA increased at a similar rate (0.5% per year, on average) as Oklahoma and the nation (each up 0.6% per year, on average). Since 2010, the Tulsa MSA has experienced continued year-over-year increases in employment in all years except 2016, when employment temporarily declined in the oil and gas sector. However, employment growth resumed in 2017 and the Center for Applied Economic Research projects nonagricultural employment in the Tulsa MSA to increase an average of 1.8% per year between 2018 and 2022, faster than growth rates for Oklahoma and the nation.

**Per Capita Personal Income.** Per capita personal income in the Tulsa MSA increased an average of 3.8% per year between 2000 and 2016, with a period of rapid growth between 2010 and 2014 (an average increase of 10.5% per year), as relatively high energy prices led to large regional increases in oil and gas extraction and employment. In 2015 and 2016, the Tulsa MSA’s per capita personal income decreased 8.3% and 7.0%, respectively, as energy prices decreased substantially, leading to shrinkage in the regional oil and gas industry. Growth in Tulsa MSA per capita personal income is expected to have resumed in 2017 and is projected to continue through 2022. The Center for Applied Economic Research projects per capita personal income in the Tulsa MSA to increase an average of 7.6% per year between 2018 and 2022, faster than that for Oklahoma and the nation. This projected strength is attributable to substantial energy industry investment in the Tulsa MSA, for which rising energy prices drive increases in income.

**Table 4**  
**Historical and Projected Socioeconomic Data**  
**Tulsa MSA, Oklahoma, and United States**  
**(2000-2022)**

|           | Population (thousands)                     |          |               | Nonagricultural employment (thousands) |          |               | Per capita income |          |               |
|-----------|--|----------|---------------|--|----------|---------------|-------------------|----------|---------------|
|           | Tulsa MSA                                  | Oklahoma | United States | Tulsa MSA                              | Oklahoma | United States | Tulsa MSA         | Oklahoma | United States |
|           | 2000                                       | 861      | 3,454         | 282,162                                | 415      | 1,502         | 132,024           | 27,446   | 23,983        |
| 2010      | 940  | 3,760    | 309,338       | 414                                    | 1,556    | 130,362       | 39,474            | 35,912   | 40,278        |
| 2011      | 945  | 3,785    | 311,644       | 416                                    | 1,578    | 131,932       | 44,302            | 38,470   | 42,463        |
| 2012      | 952  | 3,815    | 313,993       | 425                                    | 1,614    | 134,175       | 50,228            | 41,117   | 44,283        |
| 2013      | 962  | 3,850    | 316,235       | 432                                    | 1,635    | 136,381       | 54,768            | 42,713   | 44,489        |
| 2014      | 969  | 3,875    | 318,623       | 441                                    | 1,656    | 138,958       | 58,794            | 45,215   | 46,486        |
| 2015      | 980  | 3,904    | 321,040       | 448                                    | 1,668    | 141,843       | 53,894            | 43,999   | 48,429        |
| 2016      | 987  | 3,921    | 323,406       | 446                                    | 1,653    | 144,352       | 50,117            | 42,717   | 49,204        |
| 2017      | 991  | 3,931    | 325,719       | 449                                    | 1,662    | 146,624       | n.a.              | 43,449   | 50,392        |
| Projected |  |          |               |  |          |               |                   |          |               |
| 2022 (a)  | 1,036                                      | 4,050    | 338,958       | 491                                    | 1,747    | 155,635       | 77,778            | 53,117   | 61,310        |
|           | Year-over-year percent increase (decrease) |          |               |  |          |               |                   |          |               |
| 2010-2011 | 0.6%                                       | 0.7%     | 0.7%          | 0.5%                                   | 1.4%     | 1.2%          | 12.2%             | 7.1%     | 5.4%          |
| 2011-2012 | 0.7  | 0.8      | 0.8           | 2.3                                    | 2.3      | 1.7           | 13.4              | 6.9      | 4.3           |
| 2012-2013 | 1.0  | 0.9      | 0.7           | 1.7                                    | 1.3      | 1.6           | 9.0               | 3.9      | 0.5           |
| 2013-2014 | 0.8  | 0.7      | 0.8           | 1.9                                    | 1.3      | 1.9           | 7.4               | 5.9      | 4.5           |
| 2014-2015 | 1.1  | 0.8      | 0.8           | 1.6                                    | 0.7      | 2.1           | (8.3)             | (2.7)    | 4.2           |
| 2015-2016 | 0.7  | 0.4      | 0.7           | (0.4)                                  | (0.9)    | 1.8           | (7.0)             | (2.9)    | 1.6           |
| 2016-2017 | 0.3  | 0.2      | 0.7           | 0.6                                    | 0.5      | 1.6           | n.a.              | 1.7      | 2.4           |
|           | Average annual percent increase (decrease) |          |               |  |          |               |                   |          |               |
| 2000-2010 | 0.9%                                       | 0.9%     | 0.9%          | (0.0%)                                 | 0.4%     | (0.1%)        | 3.7%              | 4.1%     | 2.8%          |
| 2010-2017 | 0.8  | 0.6      | 0.7           | 1.2                                    | 0.9      | 1.7           | 4.1               | 2.8      | 3.3           |
| 2000-2017 | 0.8  | 0.8      | 0.8           | 0.5                                    | 0.6      | 0.6           | 3.8 (b)           | 3.6      | 3.0           |
| Projected |  |          |               |  |          |               |                   |          |               |
| 2018-2022 | 0.9%                                       | 0.6%     | 0.8%          | 1.8%                                   | 1.0%     | 1.2%          | 7.6%              | 4.1%     | 4.0%          |

n.a. = not available.

Tulsa MSA = Metropolitan Statistical Area, consisting of Creek, Okmulgee, Osage, Pawnee, Rogers, Tulsa, and Wagoner counties.

(a) Extrapolated to 2022 by LeighFisher based on forecast growth rates between 2018 and 2022.

(b) Represents average annual percent increase through 2016.

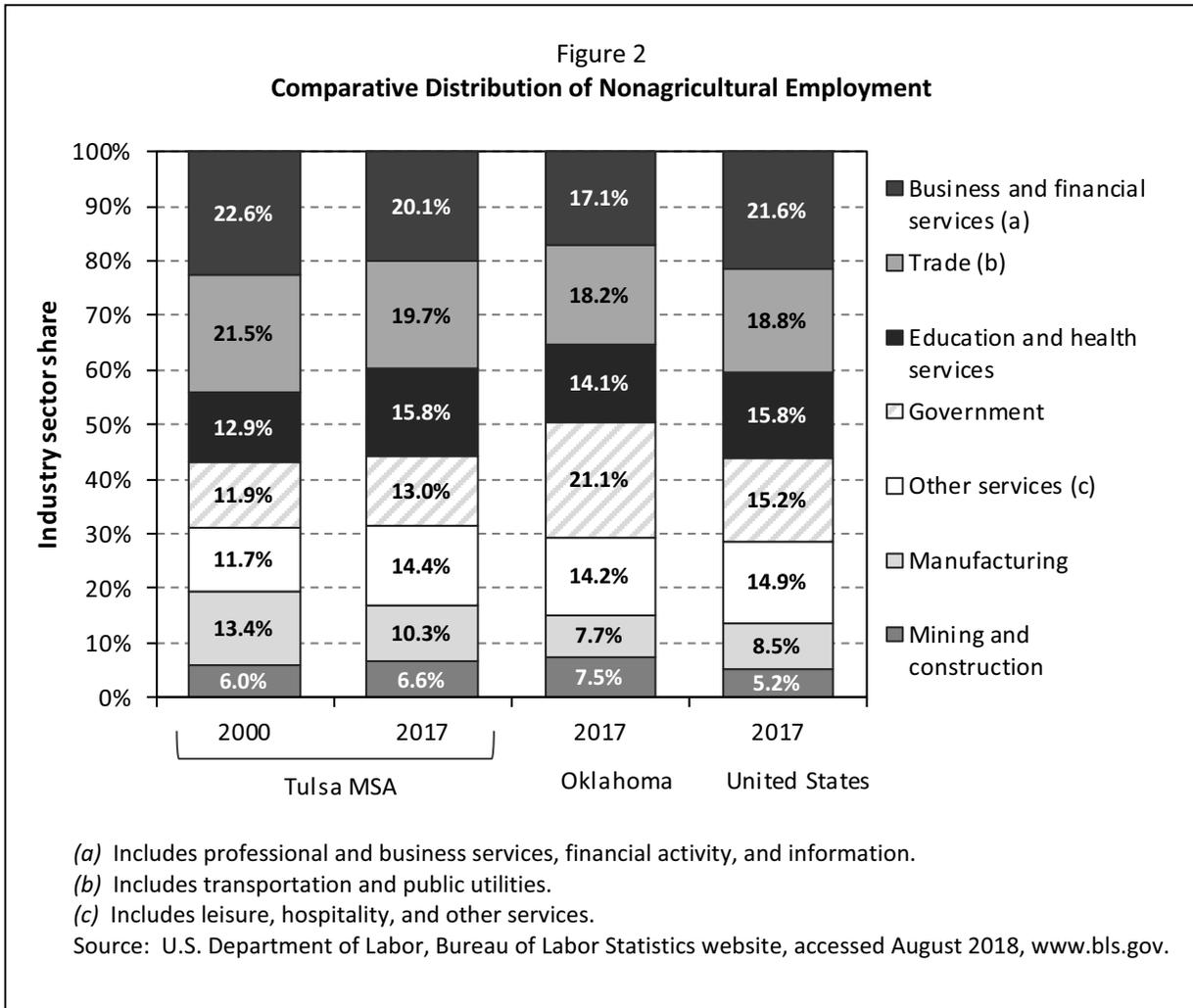
Sources: Historical population: U.S. Department of Commerce, Bureau of the Census, [www.census.gov](http://www.census.gov), accessed August 2018.

Historical employment: U.S. Department of Labor, Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov), accessed August 2018.

Historical income: U.S. Department of Commerce, Bureau of Economic Analysis, [www.bea.gov](http://www.bea.gov), accessed August 2018.

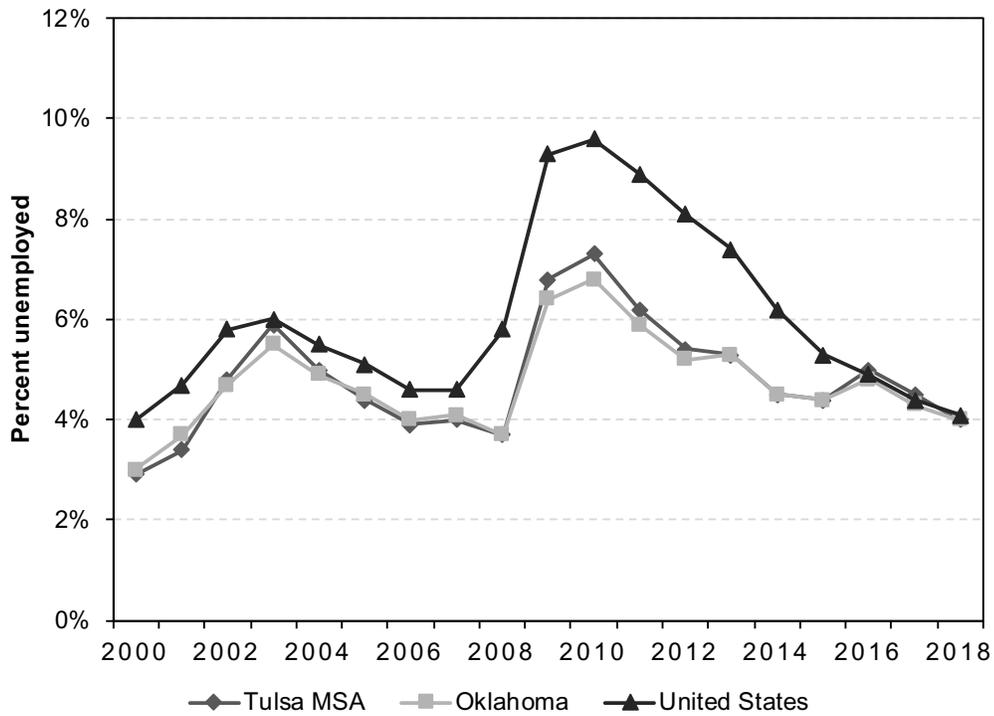
Projected growth rates: Oklahoma State University, Center for Applied Economic Research, Tulsa Regional Chamber, *Tulsa 2014 Economic Profile*, [www.growmetrotulsa.com](http://www.growmetrotulsa.com).

**Nonagricultural Employment by Industry Sector.** Figure 2 shows a comparative distribution of nonagricultural employment by industry sector for the Tulsa MSA in 2000 and in 2017, and for Oklahoma and the nation in 2017. Between 2000 and 2017, employment education and health services, government, other services, and mining and construction gained share of the Tulsa MSA’s overall employment, while business and financial services, trade, and manufacturing lost share. Relative to the national average, employment in the trade, manufacturing, and mining and construction sectors accounts for a greater share of the Tulsa MSA’s employment. Employment in the business and financial services, government, and other services sectors accounts for a smaller share, relative to the national average.



**Unemployment Rates.** In addition to the employment trends cited above, unemployment rates are also indicative of the general economic climate. Figure 3 shows comparative annual unemployment rates for the Tulsa MSA, Oklahoma, and the nation from 2000 to 2018. The unemployment rate in the Tulsa MSA generally mirrored trends in Oklahoma and remained lower than that of the nation between 2000 and 2015. While unemployment rates in the Tulsa MSA, Oklahoma, and the nation have all been on a downward trend since the 2008-09, unemployment rates in the Tulsa MSA and Oklahoma increased slightly in 2016, as a result of temporary energy sector employment declines. In the first 5 months of 2018, 4.0% unemployment in the Tulsa MSA is virtually identical to Oklahoma and national unemployment rates of 4.0% and 4.1%, respectively.

Figure 3  
Comparative Unemployment Rates



Note: Unemployment rates are not seasonally adjusted and represent annual averages. 2018 rates are YTD averages through May.  
Source: U.S. Department of Labor, Bureau of Labor Statistics website, accessed August 2018, [www.bls.gov](http://www.bls.gov).

**Major Employers.** Table 5 lists (in alphabetical order) employers with 1,000 or more employees in the Tulsa MSA in 2018. The list of major employers reflects the diversity of the companies and organizations in the region.

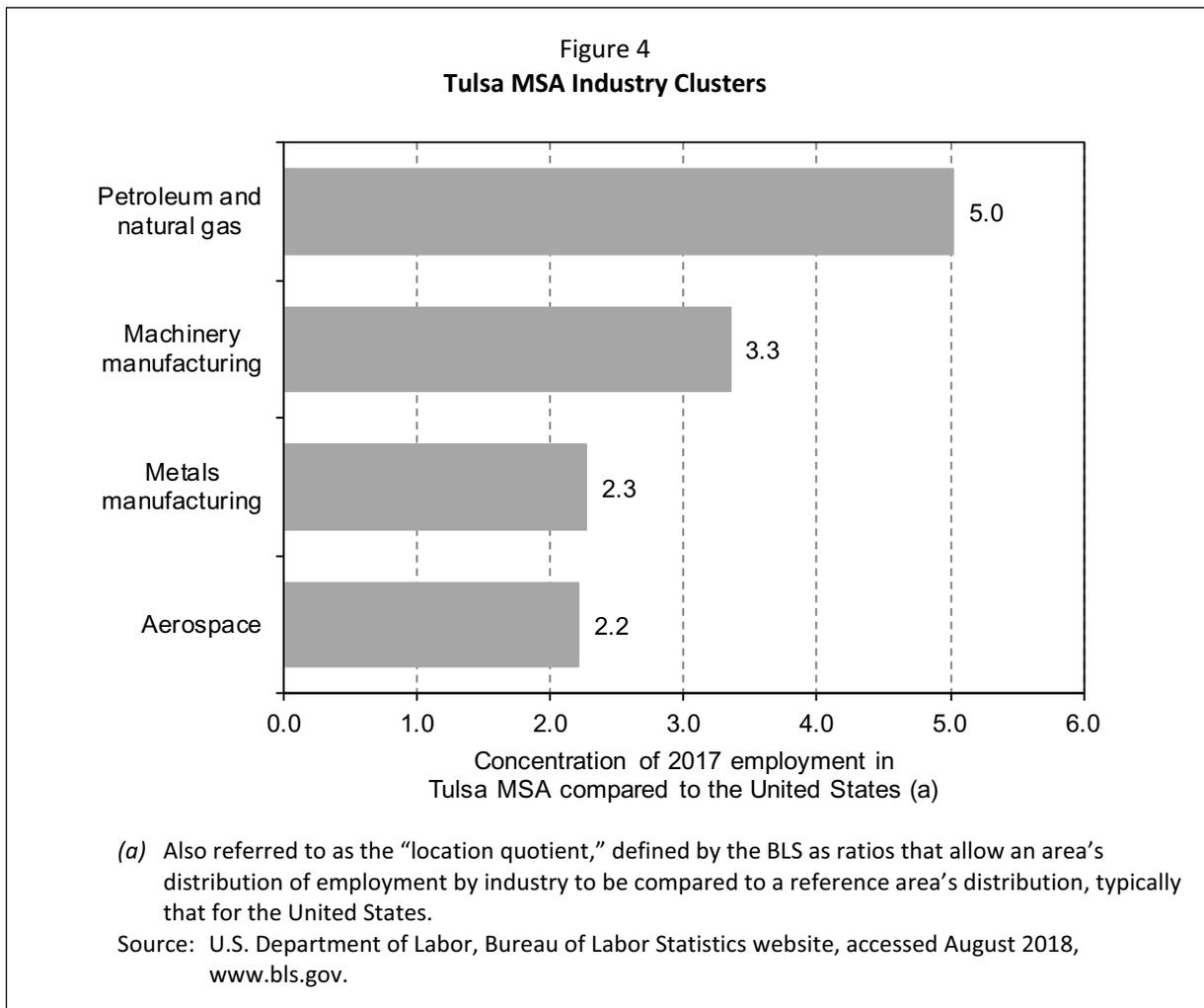
Table 5  
**Tulsa MSA Largest Employers**  
(2018)

| Employer                           | Product or service                |
|------------------------------------|-----------------------------------|
| Aaon                               | Air conditioning/heating units    |
| Alorica                            | Customer tech service             |
| American Airlines                  | Aircraft maintenance base         |
| AT&T                               | Telecommunications                |
| Baker Hughes                       | Oil field machinery and equipment |
| Bank of Oklahoma                   | Banking                           |
| BlueCross BlueShield of Oklahoma   | Insurance, customer service       |
| Broken Arrow Public Schools        | Education                         |
| City of Tulsa                      | Government                        |
| Enterprise Holdings                | Private car holdings              |
| Hard Rock Hotel & Casino           | Hospitality                       |
| Hillcrest Health Care System       | Health care                       |
| IC of Oklahoma                     | Manufactures truck and bus bodies |
| Jenks Public Schools               | Education                         |
| NORDAM                             | Aircraft parts and equipment      |
| ONEOK                              | Natural gas transmission          |
| OSU Medical Center                 | Health care                       |
| OU-Tulsa Schusterman Center        | Education                         |
| Owasso Public Schools              | Education                         |
| Public Service Company of Oklahoma | Electric utility                  |
| QuikTrip                           | Convenience stores                |
| Reasor's                           | Grocers                           |
| River Spirit Casino Resort         | Casino                            |
| Saint Francis Health System        | Health care                       |
| Spirit AeroSystems                 | Aircraft parts and equipment      |
| St. John Health System             | Health care                       |
| Target                             | Retail                            |
| Tulsa Community College            | Education                         |
| Tulsa County                       | Government                        |
| Tulsa Public Schools               | Education                         |
| U.S. Postal Services               | Postal services                   |
| Union Public Schools               | Education                         |
| University of Tulsa                | Education                         |
| Verizon Business                   | Communication services            |
| Wal-Mart/Sam's Club                | Retail                            |
| Whirlpool Corporation              | Manufactures household appliances |
| Williams Companies                 | Oil and gas                       |

Note: Includes employers with 1,000 or more employees.  
Source: Tulsa Regional Chamber, Economic Development, 2018 Tulsa MSA Largest Employers List,  
[www.GrowMetroTulsa.com](http://www.GrowMetroTulsa.com).

### 1.4.2 Tulsa MSA Industry Clusters

As shown on Figure 4, four of the Tulsa MSA’s major industries are petroleum and natural gas, machinery manufacturing, metals manufacturing, and aerospace (including aerospace manufacturing and air transportation). Several “clusters,” or groups of companies that buy or sell to each other in the manufacture of goods for export from the area, have disproportionately large concentrations of employment relative to national concentrations, as shown below. According to the Tulsa Metro Chamber, the strong concentrations of employment in these industry clusters reflect the strength of the local infrastructure, a cost of doing business that is 11% below the national average, and a cost of living that is 8% below the national average.



**Petroleum and Natural Gas.** Employment in the Tulsa MSA’s petroleum and natural gas industry cluster is five times as concentrated as in the nation (as shown on Figure 4). This large concentration of employment indicates that the petroleum and natural gas industry accounts for a significantly larger share of the Tulsa MSA’s total employment than it does for the nation as a whole. The petroleum and natural gas industry cluster includes employment in at least three sectors—mining (petroleum and natural gas extraction), transportation (pipeline transportation), and manufacturing (petroleum products and machinery manufacturing). Leading petroleum and natural gas companies in the Tulsa MSA include ONEOK, Inc., Williams Companies, and Baker Hughes in terms of employment.

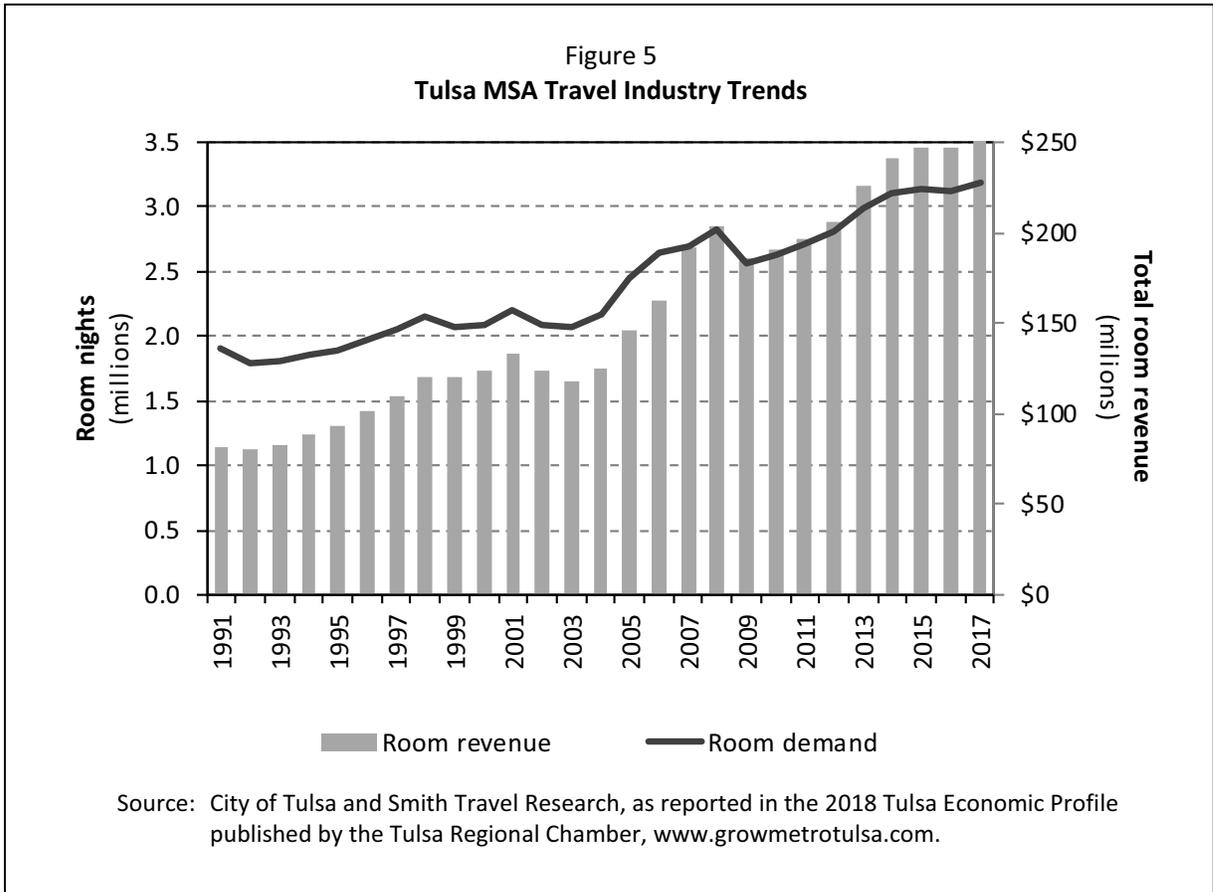
**Machinery Manufacturing.** The machinery manufacturing industry cluster supports both the petroleum and natural gas and aerospace industry clusters by manufacturing industrial machinery, such as power boiler and heat exchangers, pumps and compressors, and material handling equipment. Employment in the Tulsa MSA’s machinery manufacturing industry cluster is 3.3 times as concentrated as in the United States. Leading machinery manufacturing companies in the Tulsa MSA include AG Equipment, John Zink Co., and Zeeco Inc.

**Metals Manufacturing.** The metals manufacturing industry cluster supports both the petroleum and natural gas and aerospace industry clusters by supplying fabricated metal products, such as architectural and structural metals, spring and wire products, and coating, engraving, and heat treating metals. Employment in the Tulsa MSA’s metals manufacturing industry cluster is 2.3 times as concentrated as in the United States. Leading metals manufacturing companies in the Tulsa MSA include Hilti Inc., Paragon Industries Inc., Unarco Industries Inc., and Webco Industries.

**Aerospace.** Employment in the Tulsa MSA’s aerospace industry cluster, including aerospace product and parts manufacturing and support activities for air transportation, is 2.2 times as concentrated as in the United States. Leading aerospace companies in the Tulsa MSA include American Airlines, which maintains its global maintenance headquarters at the Airport, NORDAM, Spirit AeroSystems, Inc., and Flight Safety International. Additionally, the 138th Wing of the Air National Guard is based at the Airport.

### **1.4.3 Travel Industry**

The travel industry in the Tulsa MSA supports business travel by the major industries described earlier and tourism, including agritourism—a growing travel segment in Oklahoma featuring tours of vineyards and wineries, trail riding, and visits to farms and ranches. As shown on Figure 5, the Tulsa MSA’s travel industry has expanded substantially since 1991, with the number of room nights and room revenue increasing 2.6% and 8.2% per year on average, respectively, between 1991 and 2017 – outpacing economic and population growth in the Tulsa MSA.



#### 1.4.4 Economic Outlook

**U.S. Economy.** Following real (inflation-adjusted) gross domestic product (GDP) growth of 2.4% in 2014, 2.6% in 2015, 1.5% in 2016, and 2.3% in 2017, the Congressional Budget Office forecasts real GDP growth of 3.0% in 2018, 2.9% in 2019, and an average of 1.7% per year thereafter.

Continued national economic growth will depend on, among other factors, stable financial and credit markets, a stable value of the U.S. dollar versus other currencies, stable energy and other commodity prices (particularly important for Tulsa), the ability of the federal government to reduce historically high fiscal deficits, inflation remaining within the range targeted by the Federal Reserve, and growth in the economies of foreign trading partners, as well as relatively stable trading relationships with those foreign partners.

In August 2018, the U.S. Energy Information Administration (EIA) released an update of its short-term energy outlook. The EIA forecasts near-term oil prices, as measured by West Texas Intermediate Crude price per barrel, to remain relatively unchanged from an average of \$66 per barrel in 2018 to \$64 in 2019, based upon an outlook of relatively stable inventory levels.\*

\*U.S. Department of Energy, Energy Information Administration, Short-Term Energy Outlook, August 2018, [www.eia.gov](http://www.eia.gov).

**Oklahoma Economy.** In July/August 2018, the Oklahoma Office of the State Treasurer noted continued growth in Oklahoma’s economy, including:

- Increases in personal income tax and sales tax collections in July 2018 of 10.0% and 8.8%, respectively, compared with July 2017. (The sales tax increase incorporates the effect of higher vehicle sales tax rates but does not yet reflect cigarette and fuel tax rate increases made in July 2018.)
- The Business Conditions Index for Oklahoma has topped the “growth neutral” range for a consecutive 12 months, with the July 2018 index at 60.6 points. (Numbers greater than 50 are considered indicators of growth.)
- Oklahoma’s seasonally adjusted unemployment rate decreased to a low of 3.9% in June 2018, compared with 4.3% June 2017.
- In July 2018, collections from the gross production tax on oil and natural gas increased 64%, compared to July 2017. Employment in the oil and natural gas sector has also increased (+5,200) during the past 12 months, and “leading indicator indices show anticipated business expansion” in that and other major employment sectors.\*

**Tulsa MSA Economy.** Economic growth in the Tulsa MSA is supported by the energy sector as well as the region’s ability to attract new companies with costs of doing business and living that are below the national average. According to the Tulsa Regional Chamber’s 2018 Economic Profile, which includes projections through 2022, the Tulsa economy is positioned to grow faster than the nation in employment, per capita income, and the production of goods and services.\*\* Key findings include:

- Between 2018 and 2022, Tulsa MSA employment is expected to increase an average of 1.8% per year, driven in part by higher oil prices and stronger demand for manufactured goods. During this period, Tulsa MSA employment growth is projected to exceed that of Oklahoma and the nation, which are projected to increase 1.0% and 1.2%, respectively.
- Employment in mining, manufacturing, transportation, business and professional services, and education and health services sectors is expected to increase an average of 2.2% per year between 2018 and 2022, accounting for 57% of the total number of jobs added in all sectors.
- The Tulsa MSA unemployment rate is expected to decrease to 3.7% in 2018, 3.4% in 2019, and 3.3% in 2020 through 2022. The labor market is expected to be tight which could constrain growth. Growth in the labor force participation rate, a measure of the labor force as a percent of population, is projected to grow at an average annual rate of 1.0% from 2018 through 2022.

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\*Oklahoma Office of the State Treasurer, Oklahoma Economic Report, Volume 8, Issue 7, July/August, 2018, [www.ok.gov](http://www.ok.gov).

\*\*Tulsa Regional Chamber, 2018 Economic Profile, [GrowMetroTulsa.com](http://GrowMetroTulsa.com).

## 1.5 HISTORICAL AIRLINE SERVICE AND TRAFFIC

This section includes a discussion of airlines serving the Airport; enplaned passenger trends; airline shares of passengers; service in top markets; domestic originating passengers; and historical air cargo.

### 1.5.1 Airlines Serving the Airport

During FY 2018, the Airport was served by three mainline passenger airlines, eleven regional affiliates (three of which had codeshares with more than one mainline airline), and four LCCs, as shown in Table 6. In addition, seven airlines provided all-cargo service.

| Table 6<br>Airlines Serving the Airport<br>(FY 2018)  |                             |
|---|-----------------------------|
| Mainline airlines   | LCCs                        |
| American Airlines   | Allegiant Air               |
| Delta Air Lines   | Frontier Airlines           |
| United Airlines   | Southwest Airlines          |
|   | Sun Country Airlines        |
| Regional carriers   | All-cargo airlines          |
| Air Wisconsin (United Express)  | Air Transport International |
| Endeavor Air (Delta Connection)   | Ameriflight                 |
| Envoy Air (American Eagle)  | Empire Airlines (FedEx)     |
| ExpressJet (Delta Connection, United Express)   | Federal Express             |
| GOJet (United Express)  | Suburban Air                |
| Mesa Airlines (American Eagle, United Express)  | Martinaire Aviation         |
| PSA Airlines (American Eagle)   | United Parcel Service       |
| Republic Airlines (United Express)  |                             |
| SkyWest Airlines (American Eagle, Delta Connection, United Express)   |                             |
| Trans States Airlines (United Express)  |                             |
| ViaAir  |                             |
| <p>Note: Excludes airlines with fewer than one flight per month, on average.<br/>Source: Tulsa Airport Improvement Trust records.</p> |                             |

### 1.5.2 Enplaned Passenger Trends

Figure 6 depicts the long-term historical trend of enplaned passengers at the Airport, from FY 1991 to FY 2018. Table 7 present trends in enplaned passengers since FY 2000, with passengers categorized as residents (passengers initiating trips at the Airport), visitors (passengers initiating trips elsewhere and bound for the Airport), and connections (passengers changing flights at the Airport). The mix of passengers has experienced little change over the 18 years. Residents have increased from 52.8% of passengers in FY 2000 to 54.8% in FY 2018, visitors have decreased from 43.0% to 42.5%, and connections have decreased from 4.2% to 2.7%.

Between FY 2000 and FY 2010, all categories of passengers decreased, as the effects of the September 2001 terrorist attacks and the 2008-2009 economic recession both dampened travel demand nationwide during that decade. Between FY 2010 and FY 2018, both resident and visitor passengers returned to growth. Connections, which were never a large segment of passengers at the Airport, declined further.

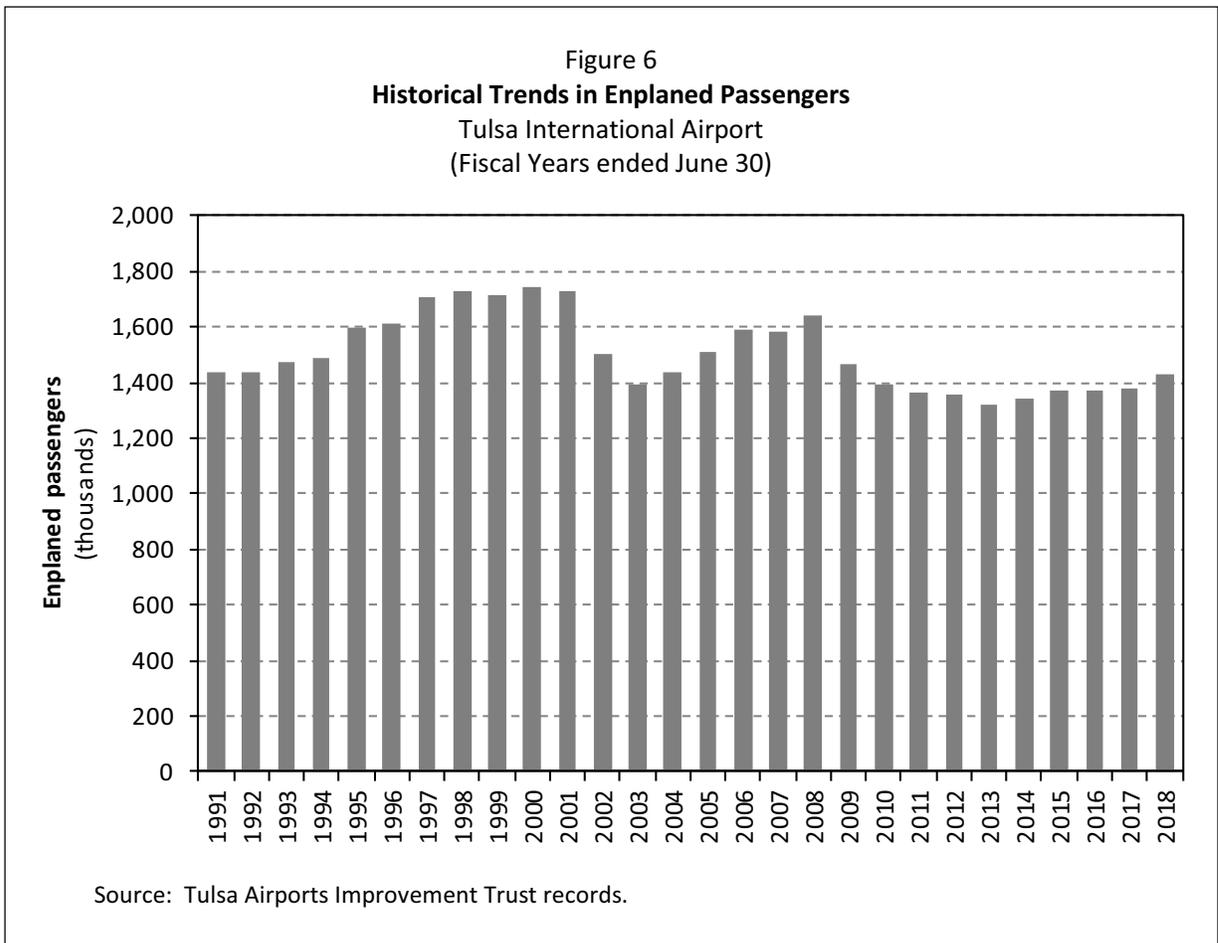


Table 7  
**Historical Enplaned Passengers**  
Tulsa International Airport

| Fiscal Year                                | Originating |          |           | Connecting | Total     |
|--|-------------|----------|-----------|------------|-----------|
|  | Residents   | Visitors | Total     |            |           |
| 2000                                       | 921,345     | 750,351  | 1,671,696 | 73,268     | 1,744,964 |
| 2005                                       | 797,616     | 643,284  | 1,440,900 | 67,233     | 1,508,133 |
| 2010                                       | 756,660     | 588,289  | 1,344,949 | 49,710     | 1,394,659 |
| 2011                                       | 733,793     | 573,995  | 1,307,788 | 53,957     | 1,361,745 |
| 2012                                       | 722,168     | 573,746  | 1,295,914 | 59,871     | 1,355,785 |
| 2013                                       | 700,148     | 558,938  | 1,259,086 | 57,568     | 1,316,654 |
| 2014                                       | 718,051     | 568,493  | 1,286,544 | 58,667     | 1,345,211 |
| 2015                                       | 738,467     | 584,649  | 1,323,116 | 50,716     | 1,373,832 |
| 2016                                       | 745,447     | 576,550  | 1,321,997 | 46,303     | 1,368,300 |
| 2017                                       | 756,408     | 584,788  | 1,341,196 | 39,103     | 1,380,299 |
| 2018 (a)                                   | 783,355     | 608,629  | 1,391,984 | 38,721     | 1,430,705 |
| Year-over-year percent increase (decrease) |             |          |           |            |           |
| 2000-2005                                  | (13.4%)     | (14.3%)  | (13.8%)   | (8.2%)     | (13.6%)   |
| 2005-2010                                  | (5.1)       | (8.5)    | (6.7)     | (26.1)     | (7.5)     |
| 2010-2011                                  | (3.0)       | (2.4)    | (2.8)     | 8.5        | (2.4)     |
| 2011-2012                                  | (1.6)       | (0.0)    | (0.9)     | 11.0       | (0.4)     |
| 2012-2013                                  | (3.0)       | (2.6)    | (2.8)     | (3.8)      | (2.9)     |
| 2013-2014                                  | 2.6         | 1.7      | 2.2       | 1.9        | 2.2       |
| 2014-2015                                  | 2.8         | 2.8      | 2.8       | (13.6)     | 2.1       |
| 2015-2016                                  | 0.9         | (1.4)    | (0.1)     | (8.7)      | (0.4)     |
| 2016-2017                                  | 1.5         | 1.4      | 1.5       | (15.5)     | 0.9       |
| 2017-2018                                  | 3.6         | 4.1      | 3.8       | (1.0)      | 3.7       |
| 2000-2018                                  | (15.0)      | (18.9)   | (16.7)    | (47.2)     | (18.0)    |
| Average annual percent increase (decrease) |             |          |           |            |           |
| 2000-2010                                  | (1.9%)      | (2.4%)   | (2.2%)    | (3.8%)     | (2.2%)    |
| 2010-2018                                  | 0.4         | 0.4      | 0.4       | (3.1)      | 0.3       |
| 2000-2018                                  | (0.9)       | (1.2)    | (1.0)     | (3.5)      | (1.1)     |
| Market shares of enplaned passengers       |             |          |           |            |           |
| 2000                                       | 52.8%       | 43.0%    | 95.8%     | 4.2%       | 100.0%    |
| 2010                                       | 54.3        | 42.2     | 96.4      | 3.6        | 100.0     |
| 2018                                       | 54.8        | 42.5     | 97.3      | 2.7        | 100.0     |

Note: Fiscal Years ended June 30.

(a) Resident, visitor, and connecting values percentage allocation are based on the 12 months ended March 31, 2018, the most recent data available.

Source: Tulsa Airports Improvement Trust records.

### 1.5.3 Airline Shares of Passengers

Table 8 shows the airline market shares of enplaned passengers at the Airport for Fiscal Years 2008, 2013, 2017, and 2018. Figure 7 illustrates the change in market shares between FY 2008 and FY 2018. In FY 2018, Southwest enplaned the largest share of passengers at the Airport (34.0%), followed by American (28.8%), United (17.3%), and Delta (14.3%). No other airline had more than a 4.0% market share. From FY 2008 to FY 2018, the four largest airlines retained the largest market shares, with Southwest and American adding market share, and United and Delta losing market share. Allegiant, which launched service at the Airport in FY 2017, now accommodates 3.9% of passengers.

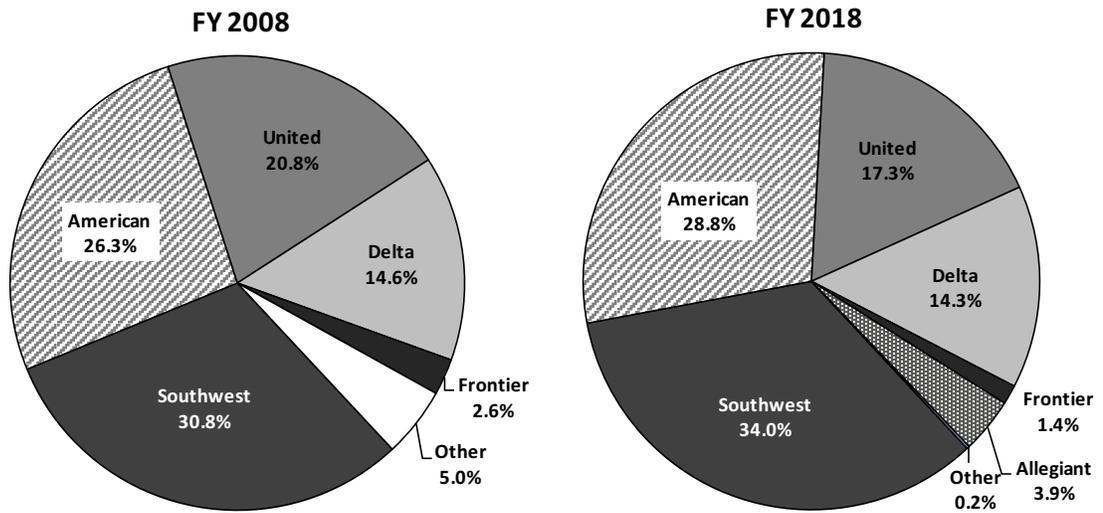
Table 8  
**Airline Market Shares of Enplaned Passengers**  
Tulsa International Airport

| Airline      | Fiscal Years     |                  |                  |                  |
|--------------|------------------|------------------|------------------|------------------|
|              | 2008             | 2013             | 2017             | 2018             |
| Southwest    | 504,064          | 482,179          | 454,881          | 486,535          |
| American     | 430,470          | 354,902          | 425,584          | 412,561          |
| United       | 341,288          | 283,541          | 226,579          | 248,132          |
| Delta        | 239,536          | 193,385          | 189,197          | 205,260          |
| Allegiant    | -                | -                | 56,979           | 56,095           |
| Frontier     | 42,168           | -                | -                | 19,545           |
| ExpressJet   | 63,069           | -                | -                | -                |
| All Others   | 18,626           | 2,647            | 27,079           | 2,577            |
| <b>Total</b> | <b>1,639,221</b> | <b>1,316,654</b> | <b>1,380,299</b> | <b>1,430,705</b> |
|              | Share of total   |                  |                  |                  |
| Southwest    | 30.8%            | 36.6%            | 33.0%            | 34.0%            |
| American     | 26.3             | 27.0             | 30.8             | 28.8             |
| United       | 20.8             | 21.5             | 16.4             | 17.3             |
| Delta        | 14.6             | 14.7             | 13.7             | 14.3             |
| Allegiant    | -                | -                | 4.1              | 3.9              |
| Frontier     | 2.6              | -                | -                | 1.4              |
| ExpressJet   | 3.8              | -                | -                | -                |
| All Others   | <u>1.1</u>       | <u>0.2</u>       | <u>2.0</u>       | <u>0.2</u>       |
| <b>Total</b> | <b>100.0%</b>    | <b>100.0%</b>    | <b>100.0%</b>    | <b>100.0%</b>    |

Note: Passengers reported by regional affiliates are grouped with their respective code-sharing partners. Columns may not add to totals shown because of rounding.

Source: Tulsa Airports Improvement Trust records.

Figure 7  
**Enplaned Passenger Market Shares**  
 Tulsa International Airport



Source: Tulsa Airports Improvement Trust records.

### 1.5.4 Airline Service

Figure 8 shows the 20 U.S. airports served by daily nonstop flights from the Airport, as scheduled for October 2018, with destinations served by more than one airline indicated.

Table 9 shows how airline service has changed over the past 10 years in the top 15 domestic originating city-pair markets for the Airport. The top 15 routes are scheduled to account for 83% of all flight departures at the Airport in October 2018. Nonstop service is offered in 11 of the top 15 markets, with competing service offered in 6 of the markets.

Figure 8  
U.S. Airports Served by Daily Nonstop Flights  
Tulsa International Airport  
(as scheduled for October 2018)



Source: OAG Aviation Worldwide Ltd., OAG Analyser database, accessed August 2018.

Table 9  
**Comparison of Nonstop Service**  
**in the Top 15 Domestic O&D Passenger Markets**  
Tulsa International Airport  
(as scheduled for October)

| Rank (a) | City market<br><i>Airport</i>    | Nonstop<br>mileage | Airlines<br>offering<br>nonstop<br>service (b) | Number of<br>carriers serving (c) |      |      | Daily scheduled<br>flight departures |      |      |
|----------|----------------------------------|--------------------|--|-----------------------------------|------|------|--------------------------------------|------|------|
|          |                                  |                    |  | 2008                              | 2013 | 2018 | 2008                                 | 2013 | 2018 |
| 1        | Houston                          | 455                | UA, WN   | 2                                 | 2    | 2    | 12                                   | 12   | 9    |
|          | <i>Houston - William P Hobby</i> |                    | WN   | 1                                 | 1    | 1    | 4                                    | 3    | 3    |
|          | <i>Houston - Bush Intercon.</i>  |                    | UA   | 1                                 | 1    | 1    | 8                                    | 9    | 6    |
| 2        | Dallas                           | 238                | AA, WN   | 2                                 | 3    | 2    | 15                                   | 12   | 12   |
|          | <i>Dallas Love Field</i>         |                    | WN   | 1                                 | 1    | 1    | 6                                    | 5    | 4    |
|          | <i>Dallas/Fort Worth Int'l</i>   |                    | AA   | 1                                 | 2    | 1    | 9                                    | 8    | 8    |
| 3        | Denver                           | 566                | F9, UA, WN                                     | 1                                 | 2    | 3    | 4                                    | 7    | 6    |
| 4        | Los Angeles (d)                  | 1,550              | G4   | -                                 | -    | 1    | -                                    | -    | <1   |
| 5        | Las Vegas                        | 1,160              | G4, WN   | 1                                 | 1    | 2    | 1                                    | 1    | 1    |
| 6        | Orlando (e)                      | 1,222              | F9, G4   | -                                 | -    | 2    | -                                    | -    | 1    |
| 7        | Phoenix                          | 995                | WN   | 1                                 | 1    | 1    | 3                                    | 2    | 2    |
| 8        | Chicago (f)                      | 594                | AA, UA   | 2                                 | 3    | 2    | 8                                    | 10   | 7    |
| 9        | Atlanta                          | 798                | DL   | 1                                 | 1    | 1    | 5                                    | 5    | 4    |
| 10       | Washington DC (g)                | 1,257              | F9   | -                                 | 1    | 1    | -                                    | 1    | <1   |
| 11       | New York (h)                     | 1,444              | -  | 1                                 | -    | -    | 1                                    | 1    | -    |
| 12       | San Francisco (i)                | 1,670              | -  | -                                 | -    | -    | -                                    | -    | -    |
| 13       | Seattle                          | 1,846              | -  | -                                 | -    | -    | -                                    | -    | -    |
| 14       | San Diego                        | 1,331              | -  | -                                 | -    | -    | -                                    | -    | -    |
| 15       | San Antonio                      | 508                | F9   | -                                 | -    | 1    | -                                    | -    | <1   |
|          | Total—top 15 markets             |                    |  | 5                                 | 5    | 6    | 48                                   | 50   | 42   |
|          | All other markets                |                    |  | 6                                 | 4    | 5    | 16                                   | 7    | 9    |
|          | Total—all markets                |                    |  | 7                                 | 5    | 7    | 64                                   | 57   | 51   |

(a) Top 15 city markets ranked by domestic outbound O&D passengers for the 12 months ended March 31, 2018.

(b) Carrier legend: AA=American, DL=Delta, F9=Frontier, G4=Allegiant, UA=United, WN=Southwest.

(c) Each mainline carrier and its regional code-sharing affiliates were counted as one airline.

(d) Market includes Burbank, Long Beach, Los Angeles, Ontario, and Orange County airports.

(e) Market includes Orlando and Orlando Sanford airports.

(f) Market includes Midway and O'Hare airports.

(g) Market includes Dulles, Reagan, and Baltimore airports.

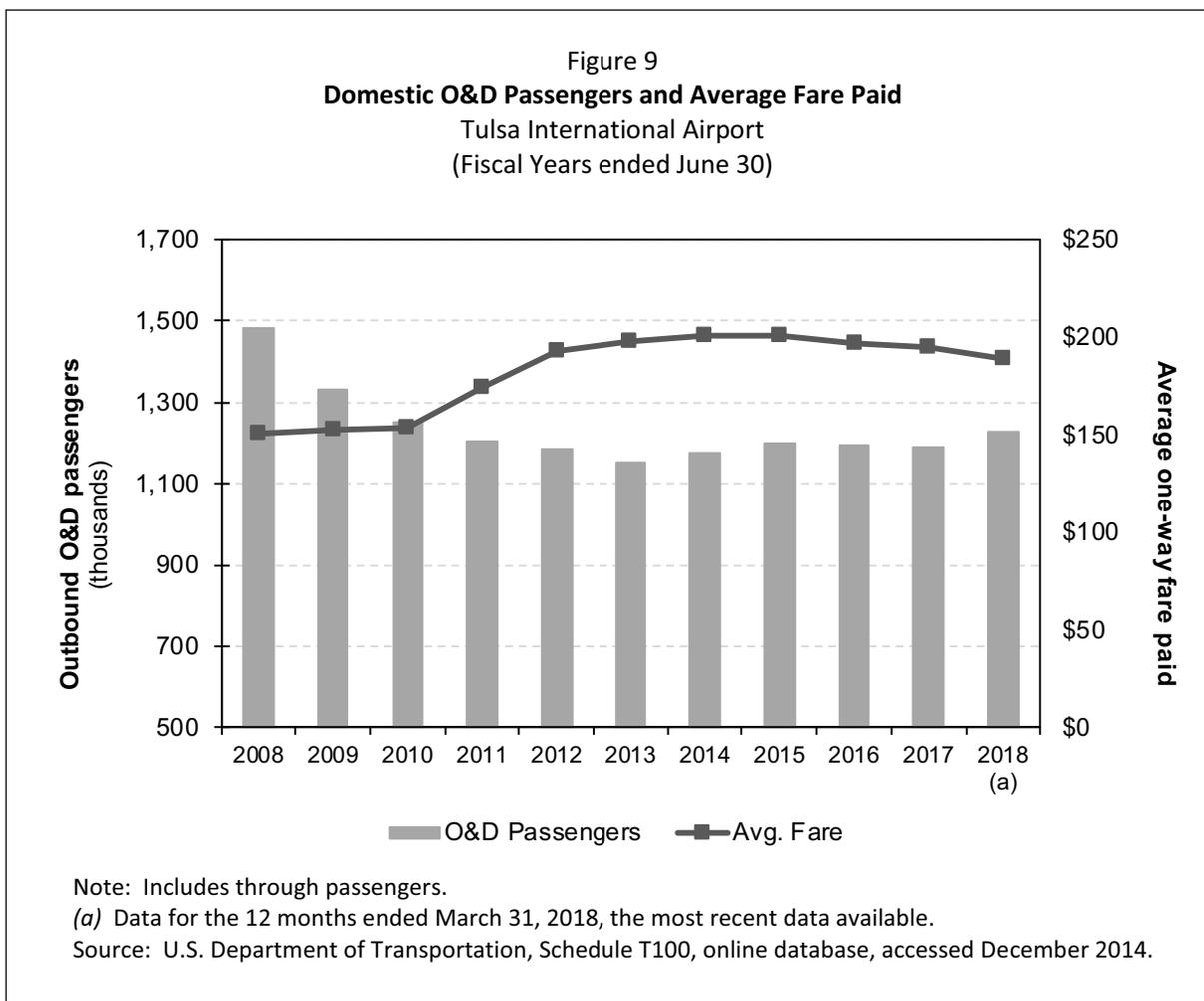
(h) Market includes LaGuardia, Newark, and Kennedy airports.

(i) Market includes San Francisco, Oakland, and San Jose airports.

Source: OAG Aviation Worldwide Ltd., OAG Analyser database, accessed August 2018.

### 1.5.5 Domestic Originating Passengers

Figure 9 shows domestic originating passengers and average domestic airfares at the Airport from FY 2008 to FY 2018. In general, fare increases dampen passenger traffic while fare decreases tend to stimulate traffic. For 5 years during and after the 2008-2009 economic recession, average airfares at the Airport increased while the number of originating passengers declined. Between FY 2012 and FY 2017, both average airfares and the number of originating passengers remained relatively stable. In FY 2018, average airfares decreased slightly as the number of originating passengers increased.

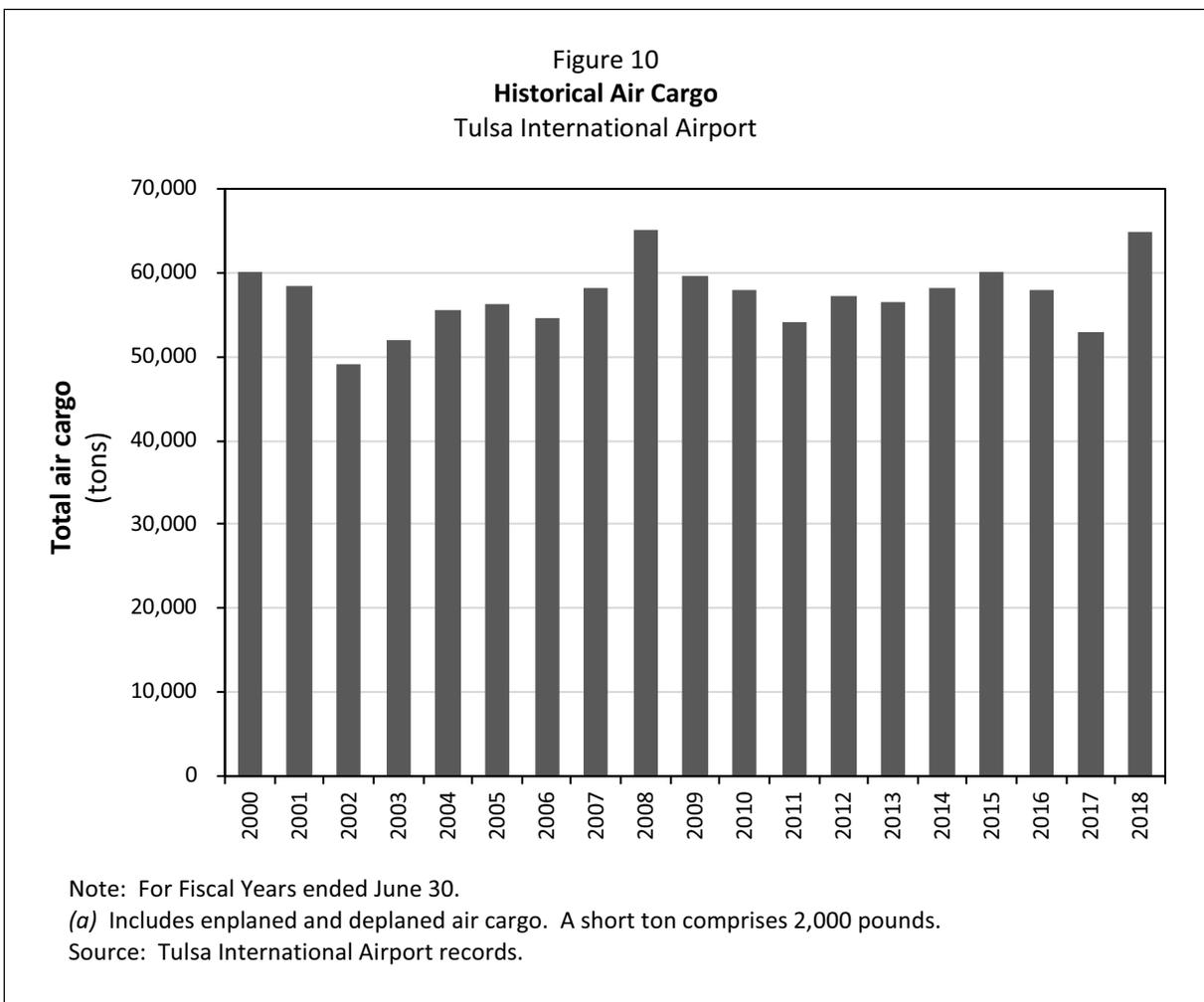


The average airfares shown in Figure 9, as reported by the airlines to the United States Department of Transportation (U.S. DOT), exclude charges for optional services, such as checked baggage, preferred seating, in-flight meals, entertainment, and ticket changes. Such charges have become widespread in the airline industry since 2006. As a result, the average airfares shown increasingly understate the amount actually paid by airline passengers for their travel. Optional service charges that were previously included in the ticket price are not all separately reported to the U.S. DOT. They have been estimated by industry analysts to amount to an effective average surcharge on domestic airfares of approximately 5% of ticket fare revenues, although the percentage varies widely by airline and market.

Table 10 presents data on domestic originating passengers and average airfares for the top 15 domestic originating passenger markets from the Airport. This table illustrates the stimulative effect of lower airfares on passenger traffic and, conversely, the dampening effect of higher airfares. For example, the three markets with the largest increases in average airfares between FY 2008 and FY 2018, Houston, Chicago, and San Antonio, recorded among the largest decreases in passenger volume. By comparison, the two markets in which average airfares decreased, Orlando and Atlanta, recorded the largest increases in passenger volume among the top 15 markets.

### 1.5.6 Air Cargo

Figure 10 presents historical air cargo (air freight and mail) tonnage. From FY 2000 to FY 2008, total air cargo tonnage at the Airport increased an average of 1.0% per year with annual fluctuations. However, between FY 2008 and FY 2018, air cargo showed no net growth at the Airport.



**Table 10**  
**Comparison of Passenger and Fares Paid in Tulsa's Top 15 Domestic O&D Markets**  
Tulsa International Airport  
(FY 2008-2018)

| Rank | City market<br><i>Airport</i>          | Domestic outbound O&D passengers |           |            |          |                                  | Average one-way fare paid (b) |          |          |                                  |         |
|------|--|----------------------------------|-----------|------------|----------|----------------------------------|-------------------------------|----------|----------|----------------------------------|---------|
|      |  | 2008                             | 2018 (a)  | % of total |          | 2008-2018<br>Increase (decrease) |                               | 2008     | 2018 (a) | 2008-2018<br>Increase (decrease) |         |
|      |  |                                  |           | 2008       | 2018 (a) | Number                           | Percent                       |          |          | Number                           | Percent |
| 1    | Houston                                | 158,152                          | 115,186   | 18.3%      | 15.7%    | (42,966)                         | (27.2)%                       | \$121.38 | \$172.00 | \$50.62                          | 41.7%   |
|      | <i>Houston - William P Hobby</i>       | 79,094                           | 66,115    | 9.1        | 9.0      | (12,979)                         | (16.4)                        | 115.01   | 151.32   | 36.31                            | 31.6    |
|      | <i>Houston - Bush Intercontinental</i> | 79,058                           | 49,071    | 9.1        | 6.7      | (29,987)                         | (37.9)                        | 127.75   | 199.86   | 72.11                            | 56.4    |
| 2    | Dallas                                 | 136,232                          | 82,547    | 15.7       | 11.2     | (53,685)                         | (39.4)                        | 80.31    | 108.64   | 28.33                            | 35.3    |
|      | <i>Dallas Love Field</i>               | 94,219                           | 41,461    | 10.9       | 5.6      | (52,758)                         | (56.0)                        | 76.57    | 118.23   | 41.66                            | 54.4    |
|      | <i>Dallas/Fort Worth International</i> | 42,013                           | 41,086    | 4.9        | 5.6      | (927)                            | (2.2)                         | 88.69    | 98.97    | 10.27                            | 11.6    |
| 3    | Denver                                 | 63,596                           | 80,535    | 7.3        | 11.0     | 16,939                           | 26.6                          | 126.94   | 133.75   | 6.81                             | 5.4     |
| 4    | Los Angeles (c)                        | 74,716                           | 71,993    | 8.6        | 9.8      | (2,723)                          | (3.6)                         | 170.75   | 179.00   | 8.26                             | 4.8     |
| 5    | Las Vegas                              | 48,899                           | 54,363    | 5.6        | 7.4      | 5,464                            | 11.2                          | 132.20   | 139.11   | 6.91                             | 5.2     |
| 6    | Orlando (d)                            | 36,301                           | 49,004    | 4.2        | 6.7      | 12,703                           | 35.0                          | 143.43   | 129.20   | (14.22)                          | (9.9)   |
| 7    | Phoenix                                | 53,587                           | 39,975    | 6.2        | 5.4      | (13,612)                         | (25.4)                        | 137.25   | 185.57   | 48.32                            | 35.2    |
| 8    | Chicago (e)                            | 66,329                           | 39,882    | 7.7        | 5.4      | (26,447)                         | (39.9)                        | 138.50   | 210.51   | 72.01                            | 52.0    |
| 9    | Atlanta                                | 30,132                           | 39,057    | 3.5        | 5.3      | 8,925                            | 29.6                          | 235.14   | 186.92   | (48.23)                          | (20.5)  |
| 10   | Washington DC (f)                      | 43,941                           | 38,105    | 5.1        | 5.2      | (5,836)                          | (13.3)                        | 152.12   | 201.03   | 48.91                            | 32.2    |
| 11   | New York (g)                           | 38,442                           | 36,693    | 4.4        | 5.0      | (1,749)                          | (4.5)                         | 207.53   | 222.45   | 14.92                            | 7.2     |
| 12   | San Francisco (h)                      | 30,587                           | 28,271    | 3.5        | 3.9      | (2,316)                          | (7.6)                         | 165.52   | 204.27   | 38.75                            | 23.4    |
| 13   | Seattle                                | 23,395                           | 20,087    | 2.7        | 2.7      | (3,308)                          | (14.1)                        | 175.62   | 208.97   | 33.35                            | 19.0    |
| 14   | San Diego                              | 33,620                           | 19,736    | 3.9        | 2.7      | (13,884)                         | (41.3)                        | 174.84   | 192.43   | 17.59                            | 10.1    |
| 15   | San Antonio                            | 27,612                           | 18,609    | 3.2        | 2.5      | (9,003)                          | (32.6)                        | 109.83   | 184.13   | 74.29                            | 67.6    |
|      | Total—top 15 markets                   | 865,541                          | 734,043   | 58.4%      | 59.8%    | (131,498)                        | (15.2)%                       | \$137.50 | \$166.84 | \$29.34                          | 21.3%   |
|      | All other markets                      | 617,548                          | 494,124   | 41.6       | 40.2     | (123,424)                        | 20.0                          | 170.34   | 222.57   | 52.22                            | 30.7    |
|      | Total—all markets                      | 1,483,089                        | 1,228,167 | 100.0%     | 100.0%   | (254,922)                        | (17.2)%                       | \$151.18 | \$189.26 | \$38.08                          | 25.2%   |

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

(a) 2018 data shown is for the 12 months ended March 31, 2018, the most recent data available.

(b) Average one-way fares shown are net of all taxes, fees, and PFCs and exclude ancillary fees charged by the airlines.

(c) Market includes Burbank, Long Beach, Los Angeles, Ontario, and Orange County airports.

(d) Market includes Orlando and Orlando Sanford airports.

(e) Market includes Midway and O'Hare airports.

(f) Market includes Dulles, Reagan, and Baltimore airports.

(g) Market includes LaGuardia, Newark, and Kennedy airports.

(h) Market includes San Francisco, Oakland, and San Jose airports.

Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

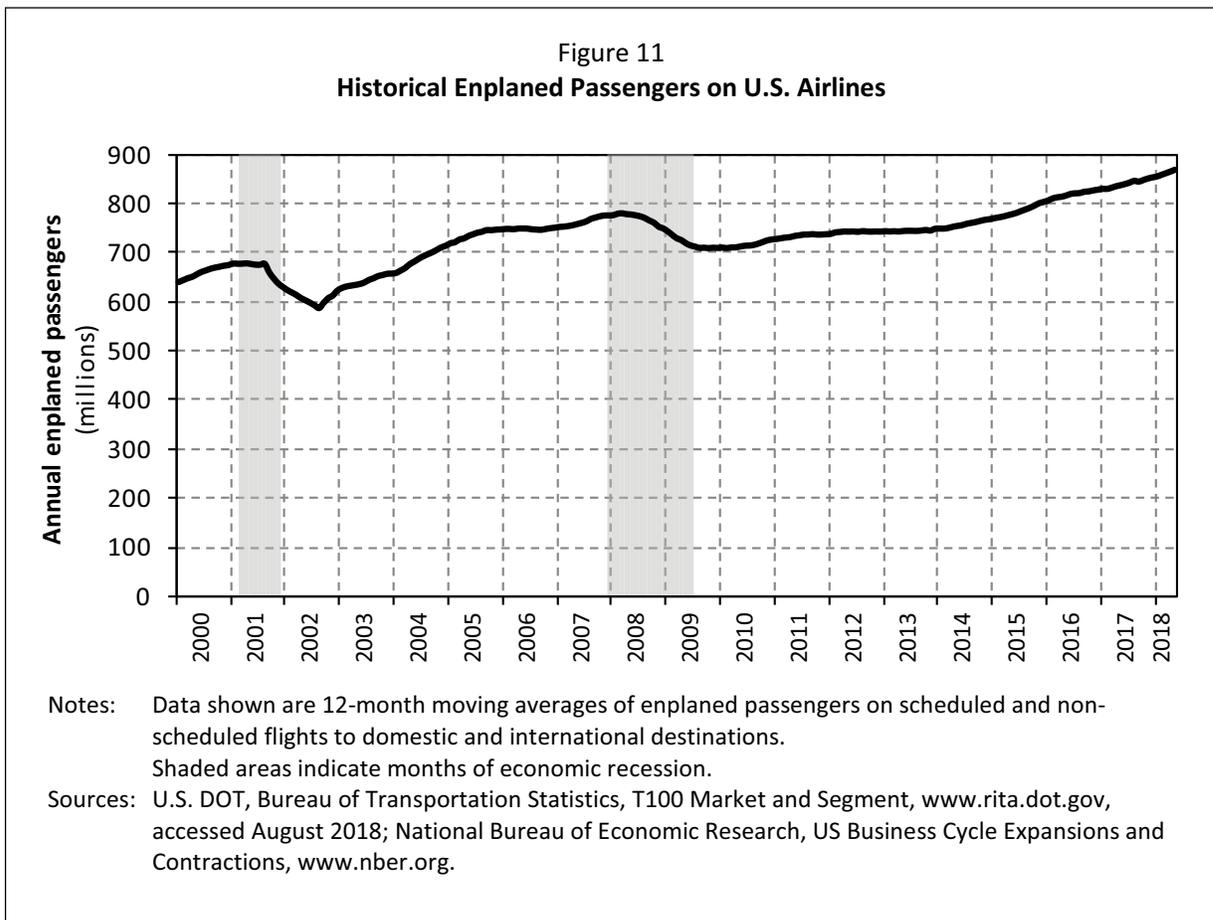
## 1.6 KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

In addition to the demographics and economy of the Airport service region, as discussed earlier, key factors that will affect future airline traffic at the Airport include:

- Economic, political, and security conditions
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Availability and price of aviation fuel
- Aviation safety and security concerns
- Capacity of the national air traffic control system
- Capacity of the Airport

### 1.6.1 Economic, Political, and Security Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. As illustrated on Figure 11, recessions in the U.S. economy in 2001 and 2008-2009 and associated high unemployment reduced discretionary income and resulted in reduced airline travel.



With the globalization of business and the increased importance of international trade and tourism, international economics, trade balances, currency exchange rates, government policies, and political relationships all influence passenger traffic at major U.S. airports.

Concerns about hostilities, terrorist attacks, other security and public health risks, and associated travel restrictions also affect travel demand to and from particular international destinations. Beginning in March 2017, the Trump administration issued various orders seeking to restrict travel to the United States from certain countries, mainly in the Middle East and Africa. Following court challenges, in June 2018, the U.S. Supreme Court upheld the administration's most recent travel restrictions. While it remains to be seen how the restrictions are implemented, increased scrutiny by U.S. Customs and Border Protection could prevent or discourage some travel.

Sustaining current passenger traffic nationally and at the Airport, and achieving forecast increases at the Airport, will depend partly on global economic growth, stable and secure international conditions, and government policies that do not unreasonably restrict or deter travel.

### **1.6.2 Financial Health of the Airline Industry**

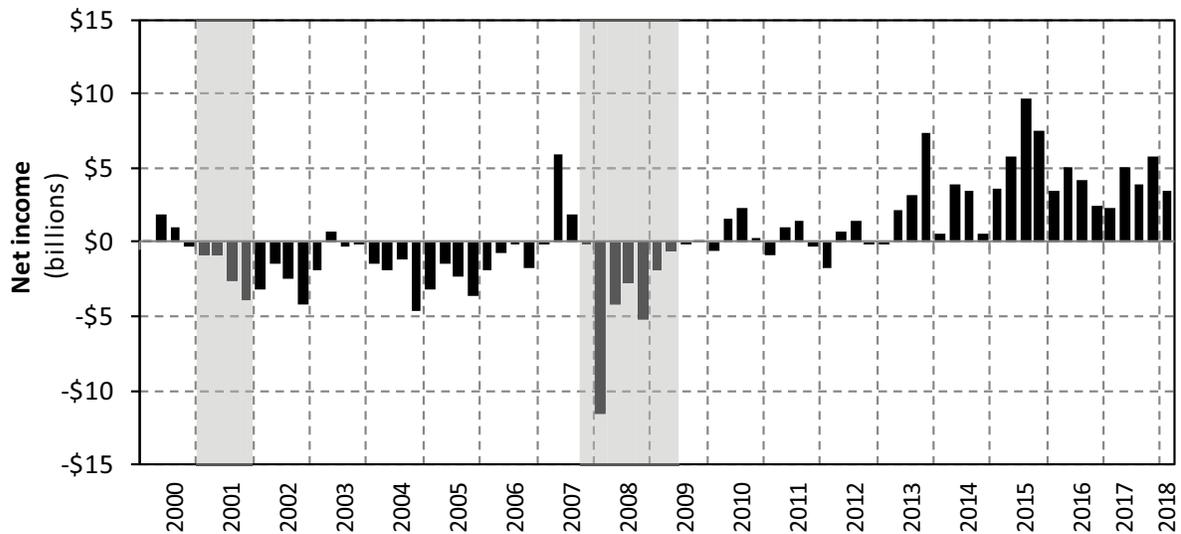
The number of passengers at the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines to make the necessary investments to provide service. Figure 12 shows historical net income for U.S. airlines.

As a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry experienced huge financial losses. In 2001 through 2006, the major U.S. passenger airlines collectively recorded net losses of approximately \$46 billion. To mitigate those losses, all of the major network airlines restructured their route networks and flight schedules and reached agreements with their employees, lessors, vendors, and creditors to cut costs. Between 2002 and 2005, Delta, Northwest, United, and US Airways all filed for Chapter 11 bankruptcy and restructured their operations.

In 2007, the U.S. passenger airline industry as a whole was profitable, recording net income of approximately \$7 billion, but in 2008, oil and aviation fuel prices increased to unprecedented levels. In 2008 and 2009, the U.S. passenger airline industry recorded net losses of approximately \$26 billion. The industry responded by, among other actions, grounding less fuel-efficient aircraft, eliminating unprofitable routes and hubs, reducing seat capacity, and increasing airfares. Between 2007 and 2009, the U.S. passenger airlines collectively reduced domestic capacity (as measured by available seat-miles) by approximately 10%.

From 2010 to 2013, the U.S. passenger airline industry as a whole recorded net income of approximately \$18 billion, notwithstanding sustained high fuel prices, by controlling capacity and nonfuel expenses, increasing airfares, recording high load factors, and increasing ancillary revenues. Between 2009 and 2013, the airlines collectively increased domestic seat-mile capacity by an average of 1.0% per year. American filed for bankruptcy protection in 2011.

Figure 12  
Net Income for U.S. Airlines



Notes: Includes scheduled service on U.S. carriers only.  
 Shaded areas indicate quarters of economic recession.  
 Data for the fourth quarter of 2005 and the first quarter of 2006 were adjusted to account for United bankruptcy claims which were settled for less than had been originally reported.  
 Source: U.S. DOT, Bureau of Transportation Statistics, Net Income, F41 Schedule P12, [www.transtats.gov](http://www.transtats.gov), accessed August 2018.

In 2014, the U.S. passenger airline industry reported net income of \$9 billion, assisted by reduced fuel prices in the second half of the year (as discussed in the later section, “Availability and Price of Aviation Fuel”). In 2015, the industry achieved record net income of \$26 billion as fuel prices decreased further, demand remained strong, and capacity control allowed average fares and ancillary charges to remain high. Strong industry profitability continued in 2016, 2017, and early 2018. Sustained industry profitability will depend on, among other factors, economic growth to support airline travel demand, continued capacity control to enable increased airfares, and stable fuel prices.

Consolidation of the U.S. airline industry has resulted from the acquisition of Trans World by American (2001), the merger of US Airways and America West (2005), the merger of Delta and Northwest (2009), the merger of United and Continental (2010), the acquisition of AirTran by Southwest (2011), the merger of American and US Airways (2013), and the acquisition of Virgin America by Alaska (2016).

Such consolidation has resulted in four airlines (American, Delta, Southwest, and United) and their regional affiliates now accounting for approximately 80% of domestic seat-mile capacity. The consolidation has contributed to industry profitability, a trend that is expected by airline industry analysts to continue over the near term. However, any resumption of financial losses could cause one or more U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines would drastically affect airline service at certain connecting hub airports and change airline travel patterns nationwide.

### **1.6.3 Airline Service and Routes**

The airport serves as gateway to and from the Tulsa MSA. The number of originating passengers at the Airport depends primarily on the intrinsic attractiveness of the region as a business and leisure destination, the propensity of its residents to travel, and the airline fares and service provided at the Airport and at other competing airports. Although passenger demand at an airport depends primarily on the population and economy of the region served, airline service and the numbers of passengers enplaned also depend on the route networks of the airlines serving that airport.

The large airlines have developed hub-and-spoke systems that allow them to offer high-frequency service to many destinations. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends primarily on the route networks and flight schedules of the airlines serving that airport and competing hub airports. Since 2003, as the U.S. airline industry has consolidated, airline service has been drastically reduced at many former connecting hub airports, including those serving St. Louis (American, 2003-2005), Dallas-Fort Worth (Delta, 2005), Pittsburgh (US Airways, 2006-2008), Las Vegas (US Airways, 2007-2010), Cincinnati (Delta, 2009-2011), Memphis (Delta, 2011-2013), and Cleveland (United, 2014). The Airport serves almost exclusively originating passengers and is not dependent on connecting passengers.

### **1.6.4 Airline Competition and Airfares**

Airline fares have an important effect on passenger demand, particularly for relatively short trips for which automobile and other surface travel modes are potential alternatives, and for price-sensitive “discretionary” travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend, in part, on the level of airfares.

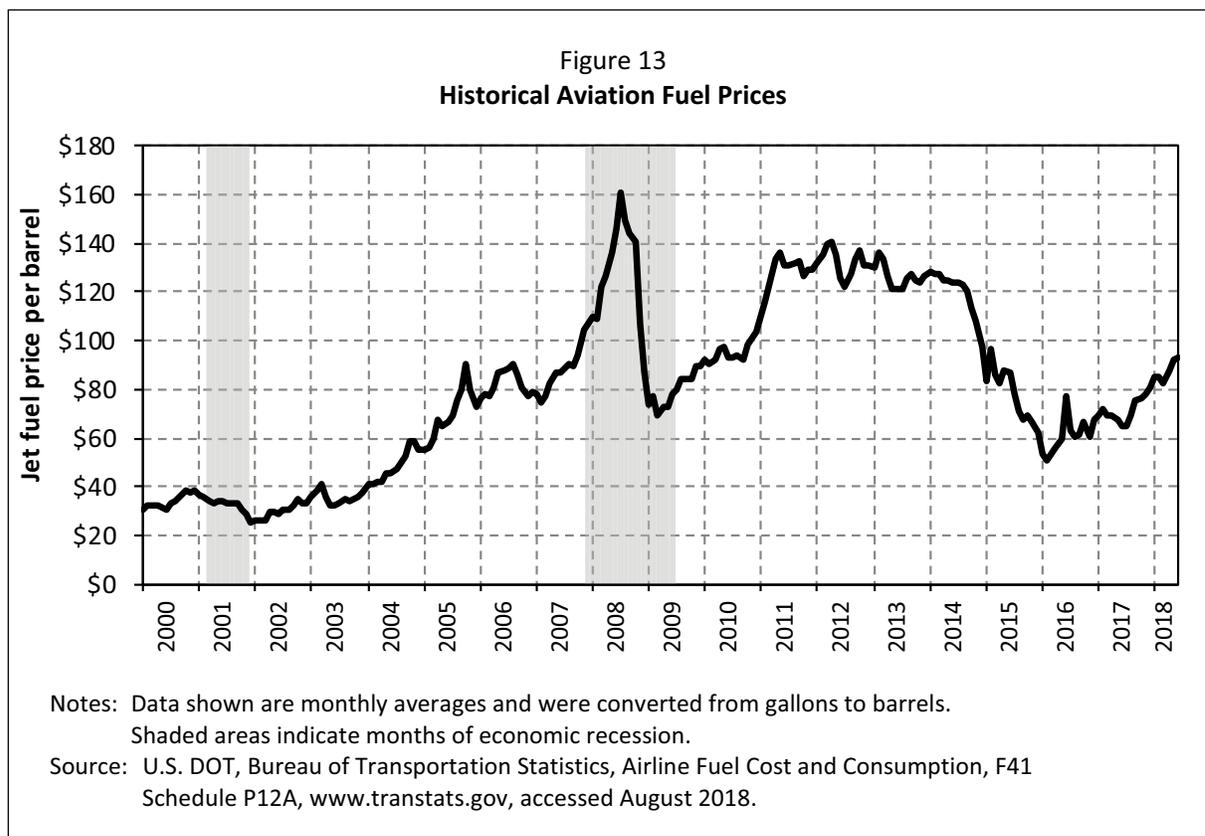
Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for U.S.-flag airlines decreased from 16.1 cents to 13.8 cents per passenger-mile. In 2006 through 2008, as airlines reduced capacity and were able to sustain fare increases, the average domestic yield increased to 15.9 cents per passenger-mile. In 2009, yields again decreased, but, beginning in 2010, as airline travel demand increased and seat capacity was restricted, yields increased to 17.7 cents per passenger-mile by 2015. Between 2015 and 2017, domestic yields decreased to 16.6 cents per passenger-mile, reflecting lower aviation fuel prices and increased airline competition.

Beginning in 2006, charges have been introduced by most airlines for optional services such as checked baggage, preferred seating, in-flight meals, and entertainment, thereby increasing the effective price of airline travel more than these yield figures indicate.

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

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Figure 13 shows the historical fluctuation in aviation fuel prices since 2000. Beginning in 2003, aviation fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in other oil-producing countries; the growing economies of China, India, and other developing countries; and other factors

influencing the demand for and supply of oil. By mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest airline operating expense, accounting for between 30% and 40% of expenses for most airlines. Fuel prices decreased sharply in the second half of 2008 as demand for oil declined worldwide, but then increased beginning in early 2009 as demand increased.



Between 2011 and 2014, aviation fuel prices were relatively stable, partly as a result of increased oil supply from U.S. domestic production made possible by the hydraulic fracturing of oil-bearing shale deposits and other advances in extraction technologies. As of mid-2014, average fuel prices were approximately three times those prevailing at the end of 2003.

Beginning in mid-2014, an imbalance between worldwide supply and demand resulted in a precipitous decline in the price of oil and aviation fuel. Decreased demand from China and other developing countries, combined with the lifting of trade sanctions on Iran and a continued surplus in the worldwide supply resulted in reductions in fuel prices through early 2016. Fuel prices have since increased, but the average price of aviation fuel at mid-2018 was still approximately 75% of the price at mid-2014. Lower fuel prices are having a positive effect on airline profitability as well as far-reaching implications for the global economy.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term, although, absent unforeseen disruptions, prices are expected to remain stable for some time. There is widespread agreement that fuel prices are likely to increase over the long term as global energy demand increases in the face of finite oil supplies that are becoming more expensive to extract, although

some economists predict that the development of renewable sources of energy, pressures to combat global climate change, the widespread use of electric cars, and other trends will eventually result in a decline in the demand for oil and associated downward pressure on fuel prices.

Aviation fuel prices will continue to affect airfares, passenger numbers, airline profitability, and the ability of airlines to provide service. Airline operating economics will also be affected as regulatory costs are imposed on the airline industry as part of efforts to reduce aircraft emissions contributing to climate change.

### **1.6.6 Aviation Safety and Security Concerns**

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips.

Safety concerns in the aftermath of the September 2001 terrorist attacks were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed federal air marshals, federalization of airport security functions under the Transportation Security Administration (TSA), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies. The TSA has introduced “pre-check” service to expedite the screening of passengers who have submitted to background checks. Concerns about the safety of air travel security were heightened in 2016 by gun and bomb attacks at Brussels Airport and Istanbul Ataturk Airport.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, and other aviation safety concerns. Provided that there are no major events and precautions by government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, future demand for airline travel will depend primarily on economic, not safety or security, factors.

### **1.6.7 Capacity of the National Air Traffic Control System**

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transportation System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. Since 2007, airline traffic delays nationwide have decreased as a result of reduced numbers of aircraft operations (down approximately 17% between 2007 and 2017), but, as airline travel increases in the future, flight delays and restrictions can be expected.

### **1.6.8 Capacity of the Airport**

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and national airport systems, future growth in airline traffic at the Airport will depend on the capacity at the Airport itself. The forecast is conditioned on the assumption that, during the forecast

period, neither available airfield or terminal capacity, nor demand management initiatives, will constrain traffic growth at the Airport.

## **1.7 AIRLINE TRAFFIC FORECASTS**

Forecasts of airline traffic at the Airport through FY 2024 were developed on the basis of the economic outlook for the Airport service region, trends in historical airline traffic, and key factors likely to affect future traffic, as discussed earlier in this Report.

In developing the forecasts in this Report, it was assumed that, over the long term, airline traffic at the Airport will increase as a function of growth in the economy of the Airport service region and continued airline service. It was assumed that airline service at the Airport will not be constrained by the availability of aviation fuel, the capacity of the air traffic control system or the Airport, charges for the use of aviation facilities, or government policies or actions that restrict growth.

### **1.7.1 Assumptions Underlying the Forecasts**

The traffic forecasts for the Airport were developed on the basis of the assumptions that:

1. The U.S. economy will experience sustained growth in GDP averaging between 2.0% and 2.5% per year, an average rate of GDP growth generally consistent with that projected by the Congressional Budget Office, as described in the earlier section “Economic Outlook.”
2. The economy of the Airport service region will grow at a somewhat faster rate than the U.S. economy as a whole.
3. Demand for passenger travel to and from the Airport service region will remain strong based on the strength of the local economy and population growth.
4. The Airport will continue to be primarily an origin-destination airport and the small percentage of passengers connecting at the Airport will not change materially.
5. Airlines will add service to meet travel demand at the Airport and competition among airlines will ensure competitive airfares for flights from the Airport.
6. A generally stable international political environment and safety and security precautions will ensure airline traveler confidence in aviation without imposing unreasonable inconveniences.
7. There will be no major disruption of airline service or airline travel behavior as a result of international hostilities, terrorist acts or threats, or government policies restricting or deterring travel.

### **1.7.2 Enplaned Passengers**

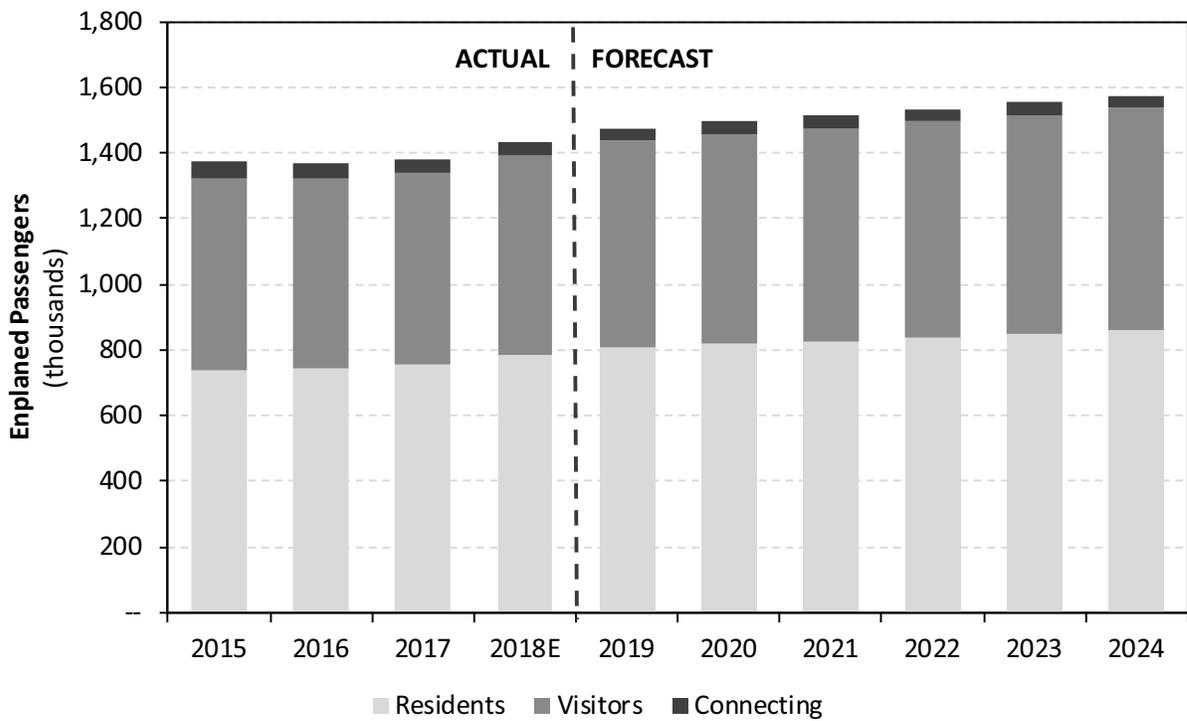
The number of enplaned passengers increased 3.7% at the Airport in FY 2018. Advance schedule filings by the airlines (which are subject to change) indicate a 7.1% increase in the number of departing seats at the Airport between the first half of FY 2018 and the first half of FY 2019 (compared with an estimated nationwide increase of 4.4%). On the basis of advance airline schedules and projected trends in airline capacity and passenger load factors, the number of enplaned passengers at the Airport is forecast to be 1.475 million in FY 2019, up 3.1% from the number enplaned in FY 2018.

Between FY 2019 and FY 2024, the number of enplaned passengers is forecast to increase 20,000 enplaned passengers per year, which equates to an average growth rate of 1.3%. The number of enplaned passengers at the Airport is forecast to be 1.575 million in FY 2024, an increase of 10.1% from

FY 2018. Figure 14 presents the forecast of enplaned passengers graphically. Table 11 presents historical and forecast enplaned passengers at the Airport by originating and connecting components, and provides resident and visitor subtotals.

Figure 14  
**Enplaned Passenger Forecast**  
 Tulsa International Airport  
 (Fiscal Years ended June 30)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.



Note: FY 2018 total reflects actual results; originating and connecting values are estimated on the basis of 3 quarters of U.S. DOT O&D Survey data.

Sources: Actual—Tulsa Airports Improvement Trust records; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1.

Forecast—LeighFisher, August 2018.

Table 11  
**Historical and Forecast Enplaned Passengers  
by Sector and by Type of Passenger**  
Tulsa International Airport  
(Fiscal Years ended June 30; passengers in thousands)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.

| Fiscal<br>Year                             | Originating |          |           | Connecting | Total            | Annual<br>percent<br>increase<br>(decrease) |
|--|-------------|----------|-----------|------------|------------------|---|
|  | Residents   | Visitors | Total     |            |                  |   |
| 2015                                       | 738,467     | 584,649  | 1,323,116 | 50,716     | <b>1,373,832</b> | 2.1%  |
| 2016                                       | 745,447     | 576,550  | 1,321,997 | 46,303     | <b>1,368,300</b> | -0.4  |
| 2017A                                      | 756,408     | 584,788  | 1,341,196 | 39,103     | <b>1,380,299</b> | 0.9   |
| 2018E                                      | 782,000     | 610,000  | 1,392,000 | 38,705     | <b>1,430,705</b> | 3.7   |
| 2019F                                      | 806,000     | 630,000  | 1,436,000 | 39,000     | <b>1,475,000</b> | 3.1   |
| 2020                                       | 817,000     | 639,000  | 1,456,000 | 39,000     | <b>1,495,000</b> | 1.4   |
| 2021                                       | 828,000     | 648,000  | 1,476,000 | 39,000     | <b>1,515,000</b> | 1.3   |
| 2022                                       | 839,000     | 657,000  | 1,496,000 | 39,000     | <b>1,535,000</b> | 1.3   |
| 2023                                       | 850,000     | 666,000  | 1,516,000 | 39,000     | <b>1,555,000</b> | 1.3   |
| 2024                                       | 861,000     | 675,000  | 1,536,000 | 39,000     | <b>1,575,000</b> | 1.3   |
| Average annual percent increase (decrease) |             |          |           |            |                  |   |
| 2015-2017                                  | 1.2%        | 0.0%     | 0.7%      | (12.2%)    | <b>0.2%</b>      |   |
| 2017-2018                                  | 3.4         | 4.3      | 3.8       | (1.0)      | <b>3.7</b>       |   |
| 2018-2024                                  | 1.6         | 1.7      | 1.7       | 0.1        | <b>1.6</b>       |   |

Notes: A = Actual; E = Estimated; F = Forecast.

Domestic and international subtotals for FY 2018 reflect actual results; originating and connecting subtotals are estimated on the basis of 3 quarters of U.S. DOT O&D Survey data.

Figures may not add to totals shown because of rounding.

Sources: Actual—Tulsa Airport Improvement Trust records; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.  
Forecast—LeighFisher, August 2018.

### 1.7.3 Landed Weight

Table 12 shows forecasts of aircraft landings and landed weight at the Airport, which were derived from the passenger forecast using assumed trends in average seat occupancy, aircraft seat capacity, and aircraft size. Between 2018 and 2024, average aircraft seating capacity at the Airport was assumed to increase. The number of aircraft landings is forecast to increase an average of 1.3% per year and landed weight is forecast to increase an average of 1.7% per year.

Table 12  
**Aircraft Landings and Landed Weight Forecast**  
Tulsa International Airport  
(Fiscal Years ended June 30)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.

| Fiscal Year                                | Enplaned passengers | Load factor (a) | Departing seats | Average seats per landing | Aircraft landings |           |        | Avg. landed weight (pounds) |           | Total landed weight (millions of pounds) |           |        |
|--|---------------------|-----------------|-----------------|---------------------------|-------------------|-----------|--------|-----------------------------|-----------|--|-----------|--------|
|  |                     |                 |                 |                           | Passenger         | All-cargo | Total  | Passenger                   | All-cargo | Passenger                                | All-cargo | Total  |
| 2015                                       | 1,373,832           | 73.4%           | 1,871,309       | 94.6                      | 19,788            | 2,377     | 22,165 | 87,291                      | 134,138   | 1,727                                    | 319       | 2,046  |
| 2016                                       | 1,368,300           | 76.8            | 1,781,911       | 100.3                     | 17,769            | 2,350     | 20,119 | 92,583                      | 135,039   | 1,645                                    | 317       | 1,962  |
| 2017                                       | 1,380,299           | 74.8            | 1,844,636       | 106.4                     | 17,331            | 2,347     | 19,678 | 98,011                      | 134,970   | 1,699                                    | 317       | 2,015  |
| 2018A                                      | 1,430,705           | 74.9            | 1,910,119       | 109.6                     | 17,424            | 2,602     | 20,026 | 101,224                     | 159,966   | 1,764                                    | 416       | 2,180  |
| 2019F                                      | 1,475,000           | 73.4            | 2,010,219       | 110.0                     | 18,275            | 2,650     | 20,925 | 101,600                     | 160,000   | 1,857                                    | 424       | 2,281  |
| 2020                                       | 1,495,000           | 73.5            | 2,034,014       | 110.5                     | 18,405            | 2,700     | 21,105 | 102,000                     | 160,000   | 1,877                                    | 432       | 2,309  |
| 2021                                       | 1,515,000           | 73.8            | 2,054,237       | 111.0                     | 18,505            | 2,750     | 21,255 | 102,500                     | 160,000   | 1,897                                    | 440       | 2,337  |
| 2022                                       | 1,535,000           | 74.0            | 2,074,324       | 111.5                     | 18,605            | 2,800     | 21,405 | 102,900                     | 160,000   | 1,914                                    | 448       | 2,362  |
| 2023                                       | 1,555,000           | 74.3            | 2,094,276       | 112.0                     | 18,700            | 2,850     | 21,550 | 103,400                     | 160,000   | 1,934                                    | 456       | 2,390  |
| 2024                                       | 1,575,000           | 74.5            | 2,114,094       | 112.5                     | 18,795            | 2,900     | 21,695 | 103,900                     | 160,000   | 1,953                                    | 464       | 2,417  |
| Average annual percent increase (decrease) |                     |                 |                 |                           |                   |           |        |                             |           |  |           |        |
| 2015-2017                                  | 0.2%                |                 | (0.7%)          |                           | (6.4%)            | (0.6%)    | (5.8%) | 6.0%                        | 0.3%      | (0.8%)                                   | (0.3%)    | (0.8%) |
| 2017-2018                                  | 3.7                 |                 | 3.5             |                           | 0.5               | 10.9      | 1.8    | 3.3                         | 18.5      | 3.8                                      | 31.4      | 8.2    |
| 2018-2024                                  | 1.6                 |                 | 1.7             |                           | 1.3               | 1.8       | 1.3    | 0.4                         | 0.0       | 1.7                                      | 1.8       | 1.7    |

(a) Load factor calculation based on enplaned passengers (excluding "through" passengers).

Sources: Historical: Tulsa Airports Improvement Trust records; OAG Aviation Worldwide Ltd., OAG Analyser database, accessed August 2018.  
Forecast: LeighFisher, September 2018.

## 2. FINANCIAL ANALYSIS

### 2.1 FRAMEWORK FOR AIRPORT FINANCIAL OPERATIONS

The Trust was organized in 1967 as a public trust with the City of Tulsa, Oklahoma (the City). The Trust was established to operate, maintain, construct improve and/or lease airport facilities serving the City and to incur indebtedness as may be necessary to develop airport facilities. The Trust manages Tulsa International Airport and R.L. Jones, Jr. Airport which comprise the Airport System. The Trust and the City entered into a long-term lease agreement whereby the City assigned all Airport System properties and equipment and the income derived there from to the Trust. A new lease agreement became effective January 1, 2014, which afforded the Trust with greater flexibility and control over airport operations and the option to perform certain services internally for the Airport System which had previously been provided by the City.

The Trust accounts for the activity of the Airport System according to generally accepted accounting principles for governmental entities and the requirements of the Bond Indenture. It operates on a fiscal year basis defined as the 12-month period ending June 30 (the Trust's Fiscal Year).

Certain key provisions of the Bond Indenture related to the issuance of the 2018A Bonds, as well as currently outstanding Bonds and any planned future series of Bonds are discussed below.

#### 2.1.1 Bond Indenture

A key provision of the Bond Indenture is the Covenant as to Rates, Rentals, Fees and Charges (the Rate Covenant). In the Rate Covenant, the Trustees agree to establish rentals, rates, fees, and charges for the use of the Airport to generate Gross Revenues of a certain amount. Gross Revenues are defined in the Bond Indenture and summarized herein to include all income, revenues and moneys derived from rates, rentals, fees and charges (including rental car customer facility charges) fixed, imposed and collected or accrued by the Trustees arising through the operation and management of the Airport. Gross Revenues also include moneys available in the Airport Improvement Fund on the first day of each Fiscal Year and assumed, for the purposes of this report, to include balances in the Airport Coverage Account and the prior year's deposits net of planned capital expenditures and revenues shared with airlines. Gross Revenues exclude PFC revenues; proceeds from the sale of bonds, notes, or other debt; and the receipt of grants or gifts such as federal grants-in-aid.

The Rate Covenant requires that in each Fiscal Year, the Trustees will impose and collect fees and charges for use of the Airport System at levels sufficient to generate annual Gross Revenues plus any Dedicated Revenues in an amount at least equal to the total of:

- 1.25 times Debt Service due during the Fiscal Year.
- Estimated and budgeted Operating Expenses during the Fiscal Year.
- An amount equal to the aggregate of deficiencies in any fund or account (or so much as is required hereunder to be repaid during such Fiscal Year) held under the Bond Indenture for the then current Fiscal Year.

To comply with the foregoing requirements, the Trust may adopt a resolution irrevocably designating certain PFC revenues and other similar charges, state and/or federal grants or other moneys received by the Trustees (and not otherwise treated as Gross Revenues) as Dedicated Revenues to be used exclusively to pay Debt Service on Bonds.

The Bond Indenture also sets forth the application of Gross Revenues to the funds and accounts established under the Bond Indenture, as described in the later Section 2.8 “Application of Gross Revenues.”

### **2.1.2 Airline Agreement**

A long-term agreement between the Trust and the airlines serving the Airport expired on June 30, 2018 (the Prior Agreement). The Prior Agreement included procedures for the annual review and adjustment of airline rentals, fees, and charges so that the Airport System yields Net Revenues plus Dedicated Revenues at least sufficient to meet the Rate Covenant. Under the Prior Agreement, the Signatory Airlines pay Terminal Rental Rates calculated according to a modified commercial compensatory methodology. Landing fees are calculated according to a cost center residual methodology. The Prior Agreement included a provision for “extraordinary coverage protection” which permits the Trust to adjust Signatory Airline rates upon 30 days written notice if the Trust estimates it will not meet the Rate Covenant.

Under the Prior Agreement, capital projects are deemed approved by the Signatory Airlines unless they are specifically disapproved by a Majority-in-Interest (MII) of the Signatory Airlines. The Prior Agreement also included a pre-approved capital improvement program (the Pre-Approved CIP). The Pre-Approved CIP contains a list of planned capital expenditures and a corresponding funding plan for the Airport System that was agreed to by the Trust and the Signatory Airlines. The Prior Agreement provides the Trust with the right to include capital and operating expenses associated with projects in the Pre-Approved CIP in the calculation of airline rentals, fees and charges. Per the Trust, no MII disapprovals were received for the terminal rehabilitation project. Therefore, no MII disapprovals were received which were related to the issuance of the 2018A Bonds.

Effective July 1, 2018, the Trust extended the Prior Agreement for an additional year to allow for the negotiation of a new airline agreement. The extended Airport-Airline Use and Lease Agreements (collectively, the Airline Agreement, or Bridge Agreement) expires June 30, 2019 and provides for the following changes: (1) suspending the holdover provision during the extended term, (2) reducing the nonsignatory Landing Fee Rate from 150% to 125%, (3) adjusting the airfield area requirement provision by removing the Reliever Airport cost center, and (4) restricting or capping the amount Signatory Airlines pay to the Airport for Landing Fees, Terminal Rentals, and Baggage Fees, net of the revenue sharing provision. As stated within the Bridge Agreement, the annual cap for the combined Airline and Cargo Carrier Signatory Landing Fees is \$6.5 million, and the annual cap for the Signatory Terminal Rents is \$5.0 million (including Signatory Baggage System fees). There will be no revenue sharing during the Bridge Agreement year or yearend reconciliation.

Key provisions in the new airline agreement are currently being negotiated, but Airport management anticipates no significant changes from the existing terms that would affect the Trust’s finances. For purposes of this report, it was assumed that the new agreement will be substantially similar to the current Bridge Agreement and will therefore lead to financial results which are substantially similar. However, it is anticipated that the new airline agreement will not include the revenue caps that are included in the Bridge Agreement and will include revenue sharing and annual

yearend reconciliation. As such, the methodology for calculating airline rentals, fees, and charges under the current Bridge Agreement was assumed to continue through the entire forecast period (FY 2024), with the exception of the revenue caps and the reestablishment of revenue sharing and yearend settlement.

The passenger and all-cargo air carriers that have executed the Bridge Agreement are referred to as the Signatory Airlines. For forecasting purposes in this report, it is assumed that the current Signatory Airlines (American Airlines, Delta Air Lines, Southwest Airlines, and United Airlines; as well as cargo carriers FedEx and UPS) will execute new agreements and will continue to operate as Signatory Airlines throughout the forecast period.

The following Airport System costs are included in the calculation of airline rentals, fees, and charges:

- Allocable Operating Expenses
- 125% of allocable Debt Service net of contributions from PFC revenues and prior Airport Coverage Account balances
- Required deposits to reserve accounts established in the Bond Indenture (Fund Requirements)
- Estimated cost of equipment purchases and capital outlays
- Amortization charges on capital projects financed by the Trust
- Bad debt expenses following a determination by the Trust that the amounts due are uncollectible
- Fines, assessments, judgments, or settlements

**Terminal Rates.** Terminal Rates are calculated according to a commercial compensatory methodology. A commercial compensatory methodology provides for an allocation of the terminal building's total operating expense, allocated debt service, capital outlays, amortization charges, and required fund deposits over the square feet of leasable space; including ticket counter areas, holdroom, office, operations, baggage make-up, baggage claim, Trust office, and concessions space.

Under the Airline Agreement, gates are leased on a preferential use basis, whereby a Signatory Airline is assigned priority use of a particular aircraft boarding gate or gates, but the Trust has the right to assign such gate positions to other airlines if no common use gates are available or if certain gate utilization rates are not met.

**Landing Fees.** Landing fees are calculated according to a cost center residual methodology which essentially provides for a breakeven financial result in the Airfield Area cost center.

**Extraordinary Coverage Protection.** The Airline Agreement also includes a provision for Extraordinary Coverage Protection that allows the Trust to adjust airline rentals, fees, and charges upon 30-days prior written notice to the Signatory Airlines if the Trust estimates that it will not meet the Rate Covenant requirements for any Fiscal Year during the term of the Airline Agreement.

**Net Revenue Sharing.** Pursuant to the terms of the Bridge Agreement, no revenues will be shared with the airlines during the year the Bridge Agreement is in effect (FY 2019). Upon reaching a new Airline Agreement, the Airport plans to reduce the current net revenue sharing requirements, but for purposes of this report, 50% of annual Net Revenues of the Airport System (less required deposits, transfers, and certain other deductions) are assumed to be shared with the Signatory Airlines based on each Signatory Airline’s pro rata share of certain rentals, fees, and charges paid in the same Fiscal Year throughout the forecast following the Bridge Agreement year. As such, any changes to the net revenue sharing methodology in the new Airline Agreement are assumed to be of financial benefit to the Trust.

The later Section 2.6.1 “Airline Rentals, Fees, and Charges” provides additional discussion of the rate-making methodology under the Airline Agreement.

**Capital Project Consultation.** The Airline Agreement includes a pre-approved Capital Improvement Program (Pre-Approved CIP). The Pre-Approved CIP contains a list of planned capital expenditures and a corresponding funding plan for the Airport System that was agreed to by the Trust and the Signatory Airlines for the term of the Airline Agreement. The Airline Agreement provides the Trust with the right to include capital and operating expenses associated with projects in the Pre-Approved CIP in the calculation of airline rentals, fees and charges, provided that costs do not increase more than 10% over the previously approved amount.

In addition to the capital expenditures included in the Pre-Approved CIP, the Trust has the option to include up to \$1.65 million per Fiscal Year in costs for new capital projects in the calculation of airline rentals, fees and charges without receiving airline approval. Future proposed capital improvement projects (exceeding the \$1.65 million annual allowance and not otherwise exempted) are subject to the Signatory Airline concurrence process. Under the Airline Agreement, capital projects are deemed approved by the Signatory Airlines unless they are specifically disapproved by a Majority-in-Interest (MII) of the Signatory Airlines. For projects affecting the Terminal Rental Rates, MII is defined as more than 50% of the passenger Signatory Airlines that together accounted for more than 50% of the passengers enplaned at the Airport during the most recent 12-month period. For projects affecting the Landing Fee rate, MII is defined as more than 50% of the Signatory Airlines (passenger and cargo) that together accounted for more than 50% of the landed weight at the Airport during the most recent 12-month period. Certain capital expenditures are exempted from the airline consultation process, including, among others: those required by the U.S. government; those whose principal purpose is to repair casualty damage; and those related to regulatory, security, or safety matters.

Per the Trust, no MII disapprovals were received for the Terminal Building Rehabilitation. Therefore, no MII disapprovals were received which were related to the issuance of the 2018A Bonds.

## **2.2 CAPITAL PROGRAM**

The Trust maintains an ongoing process of evaluating and updating the capital requirements for the Airport System, which includes the development of a rolling 5-year capital improvement program (CIP) that is updated and extended annually. The Trust’s current CIP was approved in early 2018 and reflects projects planned for the FY 2019-2023 period. The CIP was subsequently revised to reflect the increased costs and current plan of finance for the Airport’s Terminal Rehabilitation project. The projects within the CIP are referred to as the Capital Program in this report and listed in Exhibit A. These projects are expected to be funded through a combination of PFC revenues, CFC revenues,

federal grants-in-aid, Airport discretionary funds, proceeds from the sale of the 2018A Bonds, and other funding sources. The elements of the Capital Program are described below.

### **2.2.1 Terminal Building Rehabilitation**

A key component of the Trust's Capital Program is the rehabilitation of the terminal building at the Airport. Costs of the project are planned to be financed with the proceeds of the 2018A Bonds, as noted in the later Section 2.3, "Funding Sources." Total project costs are estimated to be approximately \$18 million.

The Terminal Building Rehabilitation involves the design, renovation, equipping and rehabilitation of the terminal building located at the Airport, including restroom demolition and rehabilitation, relocation of utility chase, fire suppression, boiler replacement, addition of skylights at Schwab Hall (the area just before security) and bag claim areas, roof replacement, the relocation of airline ticket counters, the demolition of abandoned tunnel utilities, and the repair of tunnel utility racks.

### **2.2.2 Other Projects**

**Terminal.** In addition to the ongoing Terminal Building Rehabilitation, the Trust plans to replace existing escalators throughout the terminal building given that the units have exceeded their useful lives.

**Airfield.** The largest component of the Trust's Capital Program is the implementation of improvements to the Runway 18R/36L Safety Areas to meet an FAA requirement to comply with safety area standards.

In addition, Taxiway E will be rehabilitated to improve areas experiencing differential settlement. Other airfield projects include the replacement of the airfield lighting generator and the replacement of aging snow removal and ARFF equipment.

**Parking and Roadways.** The Trust is currently in the process of replacing the fabric on the roof canopy structures on the parking garage and the arrival roadway adjacent to the passenger terminal building. The canopies are showing signs of failure, with severe weather over the past several years contributing to accelerated wear. The Trust also intends to repair the quick turnaround (QTA) parking lot, repair terminal access roads, and construct vehicle storage buildings to be used to meet the growing demand for its valet parking service.

**R.L. Jones, Jr. Airport.** The Trust plans to make various airfield infrastructure improvements at R.L. Jones, Jr. Airport. Major projects include the rehabilitation of Runway 1R/19L and the rehabilitation of the connector taxiway from Runway 1L-19R to Taxiway A. The Trust will also widen and rehabilitate Runway 13/31 and plans to construct a new Taxiway "GG."

## **2.3 FUNDING SOURCES**

The sources of funding for the planned projects in the Capital Program are shown in Exhibit A. The various funding sources are described briefly below.

### **2.3.1 Federal Grants-In-Aid**

Designated by the FAA as a small-hub airport, the Trust is eligible to receive grants-in-aid under the FAA's Airport Improvement Program (AIP) for up to 90% of the costs of eligible projects. Certain of

these grants are received as “entitlement” grants, the annual amount of which is calculated based on the number of enplaned passengers and landed weight of all-cargo aircraft at the Airport. Other “discretionary” grants are awarded based on the FAA’s determination of the priorities for projects at the Airport and at other airports nationwide. The level of federal funding shown in Exhibit A reflects a combination of (a) funds already received from the FAA and (b) future entitlement and/or discretionary funds expected to be received during the forecast period.

### **2.3.2 Airport Discretionary Funds**

Under the Bond Indenture, funds deposited in the Trust’s Airport Improvement Fund, after meeting all required deposits to the funds and accounts identified in the Bond Indenture, can be used to pay the cost of construction for any capital improvement reasonably related to the Airport. Exhibit A shows the amount of Airport Improvement Fund balances that the Trust expects to use for the Capital Program. In the event Airport Improvement Fund balances are insufficient to pay for capital improvements, the Trust would either defer the capital project, use amounts on reserve in other Trust accounts, or seek additional financing such as another Bond issue.

### **2.3.3 Passenger Facility Charge Revenues**

PFC revenues are a major source of funding for the Capital Program. A portion of PFC revenues are currently used to pay Debt Service on certain series of Outstanding Bonds. PFC revenues are also used on a pay-as-you-go basis to directly fund the cost of certain projects. PFC revenues may be used to pay Debt Service on future Additional Bonds.

Under federal regulations, approved PFC projects must preserve or enhance airport capacity, security or safety; mitigate the effects of aircraft noise; or enhance airline competition. Current PFC legislation allows for the collection of a PFC at certain levels between \$1.00 and \$4.50. Any future increase to the maximum PFC level would require Congressional action. FAA approval would then be required before an airport sponsor could begin charging at the higher level. An increase in the PFC level above \$4.50 was not assumed in this report.

The Trust has had FAA approval to impose a PFC and use PFC revenues at the Airport regularly, although not continuously, since August 1, 1992. The PFC level at the Airport was increased from \$3.00 to \$4.50 per eligible enplaned passenger on December 1, 2010. Airlines are required to remit net PFC collections to the Trust on a monthly basis.

The Trust is approved to collect the PFC until the earlier of April 1, 2033 or until it has collected \$171.3 million in PFC revenues. In the future, additional PFC applications may be submitted to the FAA, which could extend the collection authority beyond current approvals. The Trust has collected approximately \$116 million in PFC revenues through March 31, 2018.

The Trust is currently utilizing PFC revenues to pay principal and interest related to the 2013A Bonds, 2015B Bonds, and 2015D Bonds, as well as the project costs of certain capital projects on a pay-as-you-go basis.

### **2.3.4 Dedicated Revenues**

The Trustees have adopted resolutions irrevocably designating certain PFC revenues as Dedicated Revenues to be used exclusively to pay Debt Service on the 2013A Bonds, 2015B Bonds and 2015D Bonds (the PFC Resolutions).

Dedicated Revenues are defined in the Indenture to mean “PFC and other similar charges, state and/or federal grants or other moneys that are not Gross Revenues, but which the Trustees have dedicated to pay an amount equal to 1.25 times principal of and/or interest on Bonds.” Under the PFC Resolutions, the Trustees will transfer such Dedicated Revenues into the Bond Fund at such time as is needed to pay such principal and interest on the applicable Bond series.

### **2.3.5 Customer Facility Charges**

Each rental car company operating at the Airport collects a customer facility charge (CFC) of \$4.00 per transaction-day from each customer on behalf of the Trust. The CFC was increased from \$2.60 to \$4.00 on August 1, 2010 in anticipation of the Rental Car Ready Return Facility project. Implemented with the support of the rental car operators, the increase allowed the Trust to build funds to be used for the eventual project planning and construction. The use of CFC funds is restricted to certain rental car facility improvements and debt service on Bonds issued to fund rental car facility improvements. CFCs are considered Gross Revenues of the Trust under the Bond Indenture.

### **2.3.6 Revenue Bond Financing**

The Trust intends to use the net proceeds of Additional Bonds—specifically, the 2018A Bonds—to partially fund planned projects in the Capital Program. Exhibit B presents a summary of the estimated sources and uses of funds for the proposed 2018A Bonds as provided by Hilltop Securities, the Trust’s Financial Advisor.

To the extent that the Trust does not receive the AIP grants, PFC revenues, or Airport discretionary funding shown in Exhibit A, the Trust intends to either (a) defer projects or reduce their scope as appropriate, or (b) issue Additional Bonds and/or use available Airport discretionary funds not already committed to fund the Capital Program.

### **2.3.7 Proposed 2018A Bonds**

The proposed 2018A Bonds are assumed to be issued as tax-exempt new money Bonds. The proceeds will be used to pay certain design and construction costs related to the Airport’s Terminal Building Rehabilitation and to pay capitalized interest costs, fund the 2018A Bond Reserve Requirement, and pay the costs of issuance for the 2018A Bonds, as shown in Exhibit B.

### **2.3.8 Future Additional Bonds**

It is assumed that if future Additional Bonds are issued to finance planned projects in the Capital Program, they will be issued on parity with all Outstanding Bonds (including the 2018A Bonds). However, there is no assurance that future Additional Bonds will be issued or, if issued, that they would be on parity with all Outstanding Bonds. It is assumed, for purposes of this report, that no future Additional Bonds would be issued during the Forecast Period.

## **2.4 DEBT SERVICE REQUIREMENTS**

Exhibit C presents estimated annual Debt Service for the Trust’s Outstanding Bonds and the proposed 2018A Bonds by series and by Airport cost center. Also presented on Exhibit C are the Dedicated Revenues applied to pay the Debt Service on the 2013A Bonds, 2015B Bonds, and 2015D Bonds.

As of June 30, 2018, ten series of Tulsa Airports Improvement Trust General Revenue Bonds, totaling \$158,806,261, were outstanding as shown on Table 13.

**Table 13**  
**Summary of the Trust's Outstanding Bonds**

| Series         | Amount issued | Purpose   | Principal outstanding<br>as of June 2018 |
|----------------|---------------|-----------|--|
| 2010A          | \$ 5,770,000  | Refunding | \$ 2,050,000                             |
| 2010B          | 8,215,000     | Refunding | 2,740,000                                |
| 2010C          | 13,520,000    | Refunding | 4,110,000                                |
| 2013A          | 33,665,000    | New money | 32,435,000                               |
| 2013B          | 3,275,000     | Refunding | 2,325,000                                |
| 2015A          | 44,045,000    | New money | 38,155,000                               |
| 2015C          | 895,000       | New money | 835,000                                  |
| 2015D          | 24,395,000    | Refunding | 21,835,000                               |
| 2016 (Spartan) | 1,500,000     | New money | 921,621                                  |
| 2017           | 54,180,000    | Refunding | <u>53,400,000</u>                        |
|                |               |           | \$158,806,261                            |

Source: Tulsa Airports Improvement Trust.

The estimated annual Debt Service for the proposed Bonds was provided by Hilltop Securities, based on the following assumptions:

**Table 14**  
**Assumptions for the 2018A Bonds**

|                     |              |
|---------------------|--------------|
| Principal amount:   | \$19,280,000 |
| Final maturity:     | June 1, 2048 |
| True interest cost: | 4.29%        |

Source: Hilltop Securities, October 5, 2018.

The Debt Service on each series of Bonds (including the 2018A Bonds), net of amounts paid by Dedicated Revenues, are allocated to Airport cost centers based on project costs to be financed by each series of Bonds.

## **2.5 OPERATING EXPENSES**

Exhibit D presents historical and forecast Operating Expenses for the Airport System. Operating Expenses include direct and indirect expenses and are allocated to the Airport cost centers in accordance with the Airline Agreement. Direct expenses are the expenses charged directly to one of the Airport cost centers:

- Airfield Area
- Terminal
- Other Buildings, Grounds and Cargo
- Parking and Roadways

Indirect expenses include the costs of salaries and wages, administration, general maintenance, utilities, police and fire reimbursement. These indirect expenses are allocated to the direct Airport cost centers according to procedures established by the Trust.

Operating Expenses are shown in Exhibit D for FY 2016 through FY 2024. Data for FY 2016 and FY 2017 were obtained from the Trust's internal financial records and reconciled with its audited financial statements. Operating Expenses for FY 2018 were based on unaudited financial records, and Operating Expenses for FY 2019 were based on the Trust's budget. Operating Expenses for FY 2020 through FY 2024 were forecast using the FY 2019 budget estimates as a base and considering Airport management expectations, facility development plans, expected increases in unit costs and inflation, and other assumptions. The following assumptions are most notable:

- Airfield, terminal and other facilities will be developed in accordance with the plan documented in Section 2.2 "Capital Program," and, according to the Trust, incremental Operating Expenses associated with the planned Capital Program are not expected to be significant.
- The unit costs of salaries, wages, materials, services, utilities and supplies will increase partially in proportion to the forecast growth in enplanements as presented in Table 11 in the earlier Section 1.7, "Airline Traffic Forecasts," plus an inflation rate of 2.5%. The Congressional Budget Office's forecasted consumer price index inflation rate is 2.5% in 2020-2022 and 2.4% thereafter. Therefore, a conservative growth rate of 2.5% is assumed throughout the Forecast Period.

Based on these and other assumptions, Operating Expenses of the Airport System are forecast to increase from \$23.2 million in FY 2018 to \$28.3 million in FY 2024, representing a compound annual growth rate of 3.3%.

## **2.6 GROSS AIRPORT REVENUES**

Exhibit E presents Gross Revenues for FY 2016 through FY 2024. Individual components of Gross Revenues are forecast based on the Trust's operating budget for FY 2019. Revenues from sources related to passengers, such as terminal concession revenues, are forecast to increase as a function of the forecast growth in airline traffic as described earlier in Section 1, "Airline Traffic Analysis." Additionally, an allowance for inflation of 2.5% per year was applied to non-airline revenue items, where applicable, based on historical trends for the Airport System and provisions of the Trust's

various leases and agreements with Airport tenants and users. Gross revenues are forecast to increase from \$47.1 million in FY 2018 to \$57.3 million in FY 2024.

The assumptions underlying the increases in individual components of Gross Revenues are described in the following sections.

### **2.6.1 Airline Rentals, Fees, and Charges**

The forecasts of airline rentals, fees, and charges provided in the financial exhibits at the end of this attachment and discussed below include costs associated with existing Airport facilities and additional costs, such as estimated Debt Service for the 2018A Bonds forecast to be necessary to fund planned projects in the Capital Program. The aggregate passenger airline payments per enplaned passenger under the Airline Agreement are shown in Exhibit E.

The following sections summarize the forecasts of Signatory Airline revenues under the terms of the Airline Agreement.

### **2.6.2 Terminal Rentals**

Exhibit F-1 presents the calculation of forecast Signatory Airline Terminal Rentals. The Airline Agreement allows the Trust to collect Terminal Rentals on a modified commercial compensatory basis to recover the Terminal cost center's share of Operating Expenses, Debt Service, Fund Requirements, and equipment and capital outlay expense (collectively, the Terminal Requirement).

An average rental rate for the terminal is calculated by dividing the Terminal Requirement by total Leasable Space. Rental rates for the different categories of space such as ticket counters, baggage claim area, and airline operations space are calculated based on different assigned weighted values of the average rental rate. The airlines are charged according to the square footage they rent in each of the different space categories.

The Trust also imposes Signatory and nonsignatory per turn charges for the use of an unleased gate, which are determined by first calculating the annual dollar value of space used on a per turn basis by a Signatory and nonsignatory airline, respectively. The total value of the space is then divided by the assumed number of gates and turns per year. The annual cap for the combined Signatory terminal rentals and Signatory baggage system area rents is \$5.0 million, as described in the Bridge Agreement currently in place with the airlines through June 30, 2019. For purposes of this report it was assumed that there would be no cap in place under a new successor airline agreement commencing on July 1, 2019.

### **2.6.3 Baggage System Area Rents**

The Agreement calls for a portion of the Terminal Requirement to be collected through a Baggage System Area Rent. This rent is calculated by allocating a portion of the Terminal Requirement to the Baggage System Area as described in the calculation of Terminal Rentals. This amount is then collected from the Signatory Passenger Airlines based on a formula that allocates 20% of the cost on an equal basis to each of the passenger Signatory Airlines and then allocates the remaining 80% based on a pro rata share of the total of each passenger Signatory Airline's and its Affiliate Airline's enplaned passengers to the total of all passenger Signatory Airlines' and their Affiliate Airlines' enplaned passengers. The annual cap for the combined Signatory terminal rentals and Signatory baggage system area rents is \$5.0 million.

## **2.6.4 Loading Bridge Fees**

In accordance with the Airline Agreement, for the use of any Trust-purchased and owned loading bridges at its preferential use gates, a Signatory Airline shall pay as rent to the Trust any Operating Expenses, Debt Service, and Fund Requirements associated with such loading bridges.

## **2.6.5 Airline Landing Fees**

Exhibit F-2 presents the calculation of forecast Signatory Airline and nonsignatory airline Landing Fees. Signatory Airline Landing Fees are calculated by deriving the total annual Airfield Area Requirement which includes the Airfield Area's share of Operating Expenses, Debt Service, Fund Requirements, and equipment and capital outlay expenses. Deducted from this total is the sum of Airfield Area revenues from the nonsignatory airlines, general aviation, ground rentals and other miscellaneous Airfield Area revenues.

The Airfield Area Requirement is then divided by the forecast total aggregate landed weight of all Signatory Airlines and their Affiliate Airlines to derive the Signatory Airline landing fee rate per 1,000-pound unit of aircraft landed weight. The nonsignatory airline landing fee rate was historically 150% of the Signatory Airline landing fee rate but was reduced to 125% by the current Bridge Agreement. The annual cap for the combined passenger and cargo Signatory Airline landing fees is \$6.5 million, as described in the Bridge Agreement currently in place with the airlines through June 30, 2019. For purposes of this report it was assumed that there would be no cap in place under a new successor airline agreement commencing on July 1, 2019.

## **2.7 NONAIRLINE REVENUES**

Exhibit E also presents historical and forecast revenues from sources other than airline rentals, fees, and charges for FY 2016 through FY 2024.

### **2.7.1 Food and Beverage**

The Trust is currently under agreement with Creative Food Group TUL to lease and develop the food and beverage concession at the Airport. This agreement began at the date of beneficial occupancy of the concession facilities and expires on December 31, 2023, or such later date on which all Bonds of the Trustees have been paid. The lease provides the Trust with the option to extend the agreement for up to four periods of ten years each.

The food and beverage outlets at the Airport consist of approximately 10 outlets covering approximately 18,000 square feet of space throughout the terminal facilities.

Revenues from food and beverage operations at the Airport increased from approximately \$660,000 in FY 2016 to approximately \$760,000 in FY 2018. Under the terms of the agreement, the concessionaire pays the Trust varying percentages of gross revenues for each category of sales against a minimum annual guaranteed amount. For the first year of the agreement, the minimum annual guaranteed amount is \$810,000. For each year after the first full year of the term, the minimum annual guaranteed amount is 80% of the previous payments but shall never be less than the previous year's minimum annual guarantee for the remainder of the term. The percentages of gross sales are as follows:

|   |     |
|---|-----|
| Table service restaurants and bar locations |     |
| Food and non-alcoholic beverages            | 10% |
| Alcoholic beverages                         | 15  |
| Merchandise                                 | 15  |
| Advertising and promotions                  | 25  |
| All other areas                             |     |
| Food and non-alcoholic beverages            | 13% |
| Alcoholic beverages                         | 15  |
| Merchandise                                 | 15  |
| Advertising and promotions                  | 25  |

The terms of the agreement also require the concessionaire to pay 0.5% of gross revenues to contribute to marketing expenses.

Food and beverage revenues are forecast to increase as a function of projected changes in numbers of enplaned passengers and price inflation.

### **2.7.2 News, Gift, and Retail**

Seven news, gift, and retail outlets covering approximately 6,400 square feet of space are operated throughout the terminal facilities.

Revenues from newsstand and retail operations at the Airport increased from approximately \$610,000 in FY 2016 to approximately \$700,000 in FY 2018.

HG Tulsa Retailers JV operates the retail programs at the Airport under an agreement with the Trust that extends through December 31, 2023, or such date on which all Bonds of the Trustees have been paid. The lease provides the Trust with the option to extend the terms of the agreement for up to four periods of ten years each.

Under the terms of the agreement, HG Tulsa Retailers JV pays the Trust varying percentages of gross revenues for each category of sales against a minimum annual guaranteed amount. The minimum annual guarantee for the first year of the term is \$1.01 million. For each year after the first full year of the term, the minimum annual guaranteed amount is 80% of the previous payments, but not less than the previous year's minimum annual guarantee. The percentages are as follows:

|                                     |  |
|-------------------------------------|--|
| News/convenience store:             | 10% for print, 15% for all other goods |
| Specialty retail stores and kiosks: | 15                                     |
| Vending:                            | 13                                     |

The terms of the agreement also require the concessionaire to pay 0.5% of gross revenues to contribute to marketing expenses.

Newsstand and retail revenues are forecast to increase as a function of forecast changes in enplaned passengers and price inflation.

### **2.7.3 Rental Car**

Three rental car companies serve the Airport under on-Airport rental car concession agreements: Avis, Enterprise (operating as Enterprise, Alamo, and National), and Hertz (operating as Hertz, Dollar, and Thrifty).

The on-Airport rental car agreements became effective March 1, 2017 and are scheduled to expire February 28, 2022. Under the agreements with the Trust, the rental car companies pay the greater of a minimum annual guaranteed amount, which varies for each company, for the first year of the agreements. In subsequent years, the minimum annual guarantee is 85% of the prior calendar year's payments of the percentage fee which is 10% of their annual gross revenues but never less than the minimum annual guarantee for the first year of the term. It is assumed that upon expiration of the current agreements, new agreements will be executed that will produce substantially similar financial results.

Included within the rental car concession agreements is the requirement that the rental car companies pay an additional rental fee for counter and office space area, which is adjusted annually. An annual rental fee for each ready/return parking space leased by the rental car company is also charged.

Each rental car company collects a CFC of \$4.00 per transaction-day from each customer on behalf of the Trust, as described in earlier Section 2.3.5, "Customer Facility Charges." CFCs are considered Gross Revenues under the Bond Indenture. While they are operationally related to the rental car companies, CFCs are considered non-operating revenues of the Trust and are reported separately from fees and rentals collected from rental car companies.

Percentage fees from the rental car companies are forecast to increase in proportion to the forecast increase in enplaned passengers and price inflation.

### **2.7.4 Parking Area**

The Airport's public parking facilities are operated under a five-year management agreement with American Parking, Inc., which expires June 30, 2019. The number of spaces and parking rates for each parking facility as of September 2018 are presented in Table 15 below. General parking rates at the Airport were last increased in 2017.

Table 15  
**Airport Public Parking Facilities**  
Tulsa International Airport  
September 2018

| Parking facilities | Number of spaces | Parking rates |
|--------------------|------------------|---------------|
| Economy Parking    | 1,603            | \$8 per day   |
| Parking Garage     | 2,622            | \$12 per day  |
| Valet              | <u>131</u>       | \$18 per day  |
| Total              | 4,356            |               |

Source: Tulsa Airports Improvement Trust.

The parking revenues shown in Exhibit E are net of American Parking, Inc. fees and certain Operating Expenses paid directly by American Parking, Inc. The revenues are forecast to increase as a function of forecast changes in numbers of enplaned passengers. The Trust reviews parking rates on an annual basis. The forecast assumes no increases in parking rates. Net parking revenues were \$9.8 million in FY 2018.

The Trust experiences significant competition from an off-Airport operator, Fine Airport Parking, whose facilities are located near the entrance to Airport property. As this operator has been in this location since 1983, the existing balance between passenger use of on-airport and off-airport parking is expected to remain stable through the forecast period.

Parking revenues were forecast assuming the following:

1. Parking demand will change from FY 2018 levels in proportion to forecast increases in number of enplaned passengers.
2. All parking facilities will continue to be operated under management agreements with financial terms substantially the same as the current agreement. Transportation Network Company presence at the Airport is not anticipated to materially impact parking revenues.

### **2.7.5 Airfield Area**

Several fixed base operators and specialty air service operators lease ground at the Airport for their own structures or for facilities owned by the Trust. These operators provide a variety of aviation services to general aviation operators at the Airport including aircraft sales, storage, and maintenance. Under the terms of the current Airline Agreement, Airfield Area revenues are credited against the Airfield Requirement, thus reducing the landing fee rate.

## **2.7.6 Other Aeronautical Revenues**

The Trust also derives revenue from aeronautical sources which are not considered a component of the Airfield Area. These include leases of hangars, cargo space, and ground rentals, as well as reimbursements for security services. Additionally, revenues are generated from fuel sales and commissions by a \$0.10 per gallon fuel flowage fee for all fuel dispensed or sold at the Airport.

## **2.7.7 Other Non-Aeronautical Revenues**

**Ground Rentals.** Ground rentals include revenues derived from building and hangar rentals for single tenants and ground lease rentals.

**Hotels.** Hotel revenues include revenues generated from the fees paid by the Hilton Garden Inn and Clarion Inn, which are located on Airport property.

**Transportation Trip Charges.** The Trust established a transportation trip charge in FY 2018. The fee, in the amount of \$1 per turn, is imposed on Transportation Network Companies, such as Uber and Lyft, which operate at the Airport. The fee is anticipated to generate approximately \$280,000 in FY 2019.

## **2.7.8 R.L. Jones, Jr. Airport**

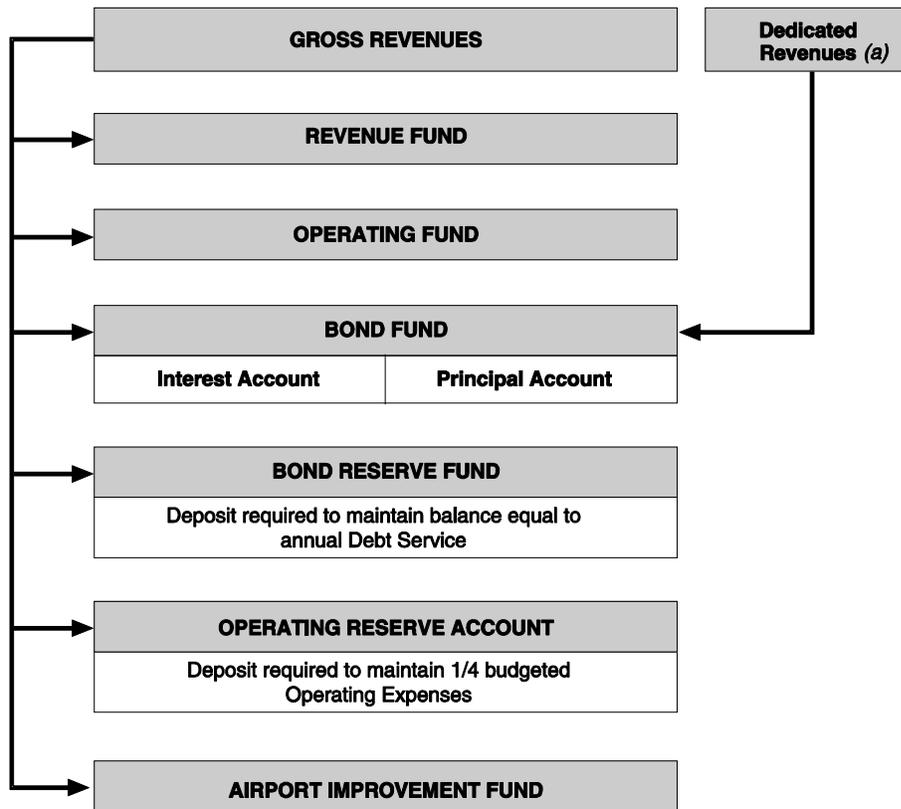
Revenues generated from the annual operation of R.L. Jones, Jr. Airport include building and ground leases, fuel flowage fees and other miscellaneous revenues.

## **2.8 APPLICATION OF GROSS REVENUES**

The Bond Indenture defines certain funds and accounts and the priority for the flow of Gross Revenues to such funds and accounts, as illustrated on Figure 15 and shown in Exhibit G. All Gross Revenues are deposited to the Revenue Fund.

Dedicated Revenues means PFC and other similar charges, state and/or federal grants or other moneys that are not Gross Revenues, but which the Trustees have dedicated to pay an amount equal to 1.25 times principal of and/or interest on Bonds. From time to time the Trustees may adopt a resolution irrevocably designating certain PFCs, state and/or federal grants or other moneys received by the Trustees (and not otherwise treated as Gross Revenues) as Dedicated Revenues to be used exclusively to pay Debt Service on Bonds. If the Trustees adopt a resolution as described in this paragraph, the Trustees shall transfer such Dedicated Revenues into the Bond Fund at such time as is needed to pay such principal and interest when due. The Trustees have adopted such resolutions dedicating PFCs for the 2013A Bonds, the 2015B Bonds, and the 2015D Bonds.

Figure 15  
**Tulsa Airports Improvement Trust**  
**Flow of Funds**



(a) Passenger facility charges, state and/or federal grants or other moneys received by the Trustees and designated as Dedicated Revenues to be used exclusively to pay Debt Service on Bonds.

Moneys in the Revenue Fund are then applied for various purposes and to funds and accounts in the following priority:

1. Pay and provide for all current Operating Expenses.
2. To the Bond Fund, deposit Net Revenues necessary to pay principal and interest due on Outstanding Bonds in the ensuing Fiscal Year.
3. To the Bond Reserve Fund, deposit Net Revenues necessary to meet the Bond Reserve Requirement. The Bond Reserve Requirement for the 2018A Bonds and all Bonds issued and outstanding under the Indenture on the date of issuance of the 2018A Bonds is equal to the least of (i) 10% of the stated principal amount of the 2018A Bonds and the Outstanding Bonds, (ii) the maximum annual Debt Service on the 2018A Bonds and the

Outstanding Bonds, or (iii) 125% of the average annual Debt Service on the 2018A Bonds and the Outstanding Bonds.

4. To the Operating Reserve Fund, deposit Net Revenues required to maintain 1/4 of budgeted Operating Expenses for the then current Fiscal Year.
5. To the Airport Improvement Fund, deposit all remaining Net Revenues to be used by the Trust to pay for Cost of Construction of any current or planned capital improvement project reasonably related to the Airport, or, at the end of each Fiscal Year, to make payments into any fund or account under the Indenture, including the Revenue Fund, in which case such amounts so paid shall be considered as Gross Revenues for the next ensuing Fiscal Year.

The Airline Agreement states that all Gross Revenues and Dedicated Revenues shall be deposited, maintained and paid as set forth in the Bond Indenture, after which amounts remaining in the Airport Improvement Fund are to be allocated in the following manner:

1. If necessary, a deposit will be made to the Airport Coverage Account to maintain the account balance at 25% of annual Debt Service.
2. If appropriate, a deposit of any incremental net revenues attributable to the Trust's entering into an agreement for use of existing parcels or development of any additional parcels in the Other Buildings, Grounds, and Cargo cost center shall remain in the Airport Account.
3. Any incremental net revenues derived by the Trust from entering into a Capital Improvement Project that was disallowed through the MII vote of the Signatory Airlines shall remain in the Airport Account.
4. Any Gross Revenues remaining in the Airport Account, after accounting for any transfers out of, or, deposits to the Airport Account described in items 1, 2, and 3 above shall be shared with the Signatory Airlines according to the Airline Net Revenue Sharing formula of the Airline Agreement.

Exhibit H presents the forecast application of CFC revenues, which are considered Gross Revenues. As shown, CFC collections and available balances are forecast to exceed CFCs required for Debt Service, required Airport Coverage Account deposits, and QTA facility operating expenses during the forecast period. The forecast assumes the CFC is maintained at the current level of \$4.00 per transaction-day.

## **2.9 APPLICATION OF PFC REVENUES**

Exhibit I presents the forecast application of PFC revenues. As shown, PFC collections and available balances are forecast to exceed PFC revenues applied to pay Debt Service on certain Outstanding Bonds during the forecast period, as well as to fund project costs on a pay-as-you go basis.

## **2.10 NET REVENUES AND RATE COVENANT COMPLIANCE**

Exhibit I presents the calculation of compliance with the Rate Covenant test set forth in the Bond Indenture. The test requires that the Trust will impose and prescribe a schedule of rates, rentals,

fees, and charges each year so that the Airport will always remain financially self-sufficient and self-sustaining. The rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Gross Revenues at least sufficient (i) to pay as and when the same become due all Operating Expenses; (ii) to pay the principal of and interest and premium, if any, on any Bonds as and when the same become due (whether at maturity or upon redemption prior to maturity or otherwise); (iii) to pay as and when the same become due any and all other claims, charges or obligations payable from the Gross Revenues; and (iv) to carry out all provisions and covenants of the Indenture.

For the purposes of complying with the Rate Covenant, the Bond Indenture requires that the Trust impose, adjust, enforce and collect such rates, rentals, fees and charges to ensure that Dedicated Revenues for such period plus Gross Revenues will equal at least (i) an amount equal to 1.25 times Debt Service due during the Fiscal year; (ii) an amount equal to estimated and budgeted Operating Expenses during the Fiscal Year; and (iii) an amount equal to the aggregate of deficiencies in any fund or account (or so much as is required to be repaid during such Fiscal year) held under the Indenture. Exhibit I demonstrates that the Trust is forecast to generate Dedicated Revenues plus Gross Revenues sufficient to exceed the Rate Covenant test during each year of the forecast period.

Exhibit A

**CAPITAL PROGRAM (a)**  
Tulsa Airports Improvement Trust  
For Fiscal Years ending June 30, 2019 to 2023

|   | Total<br>Project<br>Costs | Sources of Funds |               |               |               |              |
|---|---------------------------|------------------|---------------|---------------|---------------|--------------|
|   |                           | AIP Funds        |               | Series        | TAIT          | Other (c)    |
|   |                           | Entitlement      | Discretionary | 2018A Bonds   | Funds (b)     |              |
| <b>Tulsa International Airport Projects</b>       |                           |                  |               |               |               |              |
| <b>Terminal Projects</b>                          |                           |                  |               |               |               |              |
| Replace Escalators                                | \$ 4,300,000              | \$ -             | \$ -          | \$ -          | \$ 4,300,000  | \$ -         |
| Terminal Building Rehabilitation                  | 18,000,000                | -                | -             | 18,000,000    | -             | -            |
| <b>Subtotal Terminal Projects</b>                 | \$ 22,300,000             | \$ -             | \$ -          | \$ 18,000,000 | \$ 4,300,000  | \$ -         |
| <b>Airfield Projects</b>                          |                           |                  |               |               |               |              |
| Replace Airfield Lighting Generator               | \$ 200,000                | \$ 180,000       | \$ -          | \$ -          | \$ 20,000     | \$ -         |
| Rehabilitate Taxiway "E"                          | 150,000                   | 135,000          | -             | -             | 15,000        | -            |
| Replace SRE                                       | 3,630,000                 | 3,300,000        | -             | -             | 330,000       | -            |
| Replace ARFF Vehicle                              | 1,760,000                 | 1,600,000        | -             | -             | 160,000       | -            |
| Improve Runway 18R/36L Safety Area                | 32,418,000                | 16,800,000       | 10,180,000    | -             | 5,438,000     | -            |
| <b>Subtotal Airfield Projects</b>                 | \$ 38,158,000             | \$ 22,015,000    | \$ 10,180,000 | \$ -          | \$ 5,963,000  | \$ -         |
| <b>Parking and Roadways Projects</b>              |                           |                  |               |               |               |              |
| Replace Canopy Fabric                             | \$ 1,250,000              | \$ -             | \$ -          | \$ -          | \$ 1,250,000  | \$ -         |
| Repair QTA Parking Lot                            | 200,000                   | -                | -             | -             | -             | 200,000      |
| Repair Terminal Access Roads                      | 1,400,000                 | -                | -             | -             | 1,400,000     | -            |
| Construct Valet Parking Storage                   | 1,200,000                 | -                | -             | -             | 1,200,000     | -            |
| <b>Subtotal Parking and Roadways Projects</b>     | \$ 4,050,000              | \$ -             | \$ -          | \$ -          | \$ 3,850,000  | \$ 200,000   |
| <b>Operating Capital Equipment Purchases (d)</b>  | \$ 3,535,000              | \$ -             | \$ -          | \$ -          | \$ 3,535,000  | \$ -         |
| <b>Total Tulsa International Airport Projects</b> | \$ 68,043,000             | \$ 22,015,000    | \$ 10,180,000 | \$ 18,000,000 | \$ 14,113,000 | \$ 200,000   |
| <b>RL Jones, Jr. Airport Projects</b>             | \$ 4,781,000              | \$ 650,000       | \$ 2,230,000  | \$ -          | \$ 471,000    | \$ 1,430,000 |
| <b>Total TAIT Capital Improvement Program</b>     | \$ 72,824,000             | \$ 22,665,000    | \$ 12,410,000 | \$ 18,000,000 | \$ 14,584,000 | \$ 1,630,000 |

(a) Capital Improvement Plan (CIP) total does not equal the total approved CIP as shown in the POS due to adjustment for actual project costs and inclusion of Operating Capital Equipment Purchases.

(b) Includes balances available in the Airport Improvement Fund.

(c) Includes other sources of funding not yet identified, which may include Customer Facility Charges, State Grants, or other funds.

(d) Operating Capital Equipment Purchases includes capital expenditures utilizing less than \$120,000 in Airport cash, which are included as O&M for rates & charges and Rate Covenant calculations purposes.

Source: Tulsa Airports Improvement Trust

Exhibit B

**SOURCES AND USES OF FUNDS - SERIES 2018A BONDS**  
Tulsa Airports Improvement Trust

|                                      | Series<br>2018A Bonds |
|--------------------------------------|-----------------------|
| <b>Sources of Funds (a)</b>          |                       |
| Par amount                           | \$ 19,280,000         |
| Premium                              | 1,819,095             |
| <b>Total Sources</b>                 | <b>\$ 21,099,095</b>  |
| <b>Uses of Funds (a)</b>             |                       |
| Deposit to Project Construction Fund | \$ 18,000,000         |
| Deposit to Capitalized Interest Fund | 2,012,359             |
| Deposit to Debt Service Reserve Fund | 589,509               |
| Underwriter's Discount               | 176,388               |
| Costs of Issuance                    | 320,840               |
| <b>Total Uses</b>                    | <b>\$ 21,099,095</b>  |

(a) Preliminary figures subject to change.

Source: Hilltop Securities, October 5, 2018.

Exhibit C

**DEBT SERVICE**  
Tulsa Airports Improvement Trust  
For Fiscal Years Ending June 30

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by TAIT, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

|  | Actual               |                      | Estimate             | Budget               | Forecast             |                      |                      |                      |                      |      |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|------|
|  | 2016                 | 2017                 | 2018                 | 2019                 | 2020                 | 2021                 | 2022                 | 2023                 | 2024                 |      |
| <b>Outstanding Bonds Debt Service</b>  |                      |                      |                      |                      |                      |                      |                      |                      |                      |      |
| Series 2004B Bonds   | \$ 218,975           | \$ 192,408           | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ -                 | \$ - |
| Series 2009D Bonds   | 4,538,406            | 4,267,721            | 457,605              | -                    | -                    | -                    | -                    | -                    | -                    | -    |
| Series 2010A Bonds   | 751,846              | 754,412              | 750,090              | 752,152              | 748,275              | 688,188              | -                    | -                    | -                    | -    |
| Series 2010B Bonds   | 1,031,663            | 1,032,299            | 1,033,348            | 1,030,594            | 1,036,313            | 946,963              | -                    | -                    | -                    | -    |
| Series 2010C Bonds   | 1,850,679            | 1,714,646            | 779,013              | 777,624              | 750,696              | 739,146              | 555,992              | 532,521              | 536,083              |      |
| Series 2013A Bonds   | 1,100,511            | 2,419,013            | 2,418,888            | 2,417,679            | 2,419,533            | 2,419,638            | 2,418,408            | 2,419,992            | 2,419,575            |      |
| Series 2013B Bonds   | 362,325              | 362,457              | 361,551              | 363,112              | 354,560              | 354,322              | 357,033              | 410,477              | 944,032              |      |
| Series 2015A Bonds   | 3,749,322            | 3,648,217            | 4,485,967            | 4,935,563            | 4,948,542            | 4,724,104            | 4,400,792            | 3,898,708            | 1,718,458            |      |
| Series 2015B Bonds   | 1,842,738            | 1,775,600            | 1,639,733            | -                    | -                    | -                    | -                    | -                    | -                    |      |
| Series 2015C Bonds   | 53,528               | 53,223               | 52,823               | 52,423               | 52,023               | 51,619               | 51,165               | 50,663               | 50,135               |      |
| Series 2015D Bonds   | 2,984,763            | 1,164,600            | 1,303,117            | 2,941,542            | 2,939,083            | 2,937,521            | 2,940,333            | 2,938,729            | 2,941,000            |      |
| 2016 Spartan Loan (a)  | -                    | 72,288               | 126,349              | 126,349              | 126,349              | 126,349              | 126,349              | 126,349              | 126,349              |      |
| Series 2017 Refunding  | -                    | -                    | 2,233,814            | 2,018,647            | 2,045,414            | 2,225,579            | 3,119,994            | 3,258,764            | 3,753,594            |      |
| Series 2018A Bonds   | -                    | -                    | -                    | -                    | -                    | 109,464              | 1,313,596            | 1,313,946            | 1,313,783            |      |
| <b>Subtotal Debt Service</b>   | <b>\$ 18,484,757</b> | <b>\$ 17,456,883</b> | <b>\$ 15,642,296</b> | <b>\$ 15,415,684</b> | <b>\$ 15,420,787</b> | <b>\$ 15,322,890</b> | <b>\$ 15,283,662</b> | <b>\$ 14,950,148</b> | <b>\$ 13,803,009</b> |      |
| <b>Dedicated Revenues</b>  |                      |                      |                      |                      |                      |                      |                      |                      |                      |      |
| PFC Revenues Applied to Series 2013A   | \$ 935,435           | \$ 2,056,161         | \$ 2,056,054         | \$ 2,055,027         | \$ 2,056,603         | \$ 2,056,692         | \$ 2,055,647         | \$ 2,056,993         | \$ 2,056,639         |      |
| PFC Revenues Applied to Series 2015B   | 1,842,738            | 1,775,600            | 1,639,733            | -                    | -                    | -                    | -                    | -                    | -                    |      |
| PFC Revenues Applied to Series 2015D   | 2,984,763            | 1,164,600            | 1,303,117            | 2,941,542            | 2,939,083            | 2,937,521            | 2,940,333            | 2,938,729            | 2,941,000            |      |
| Deposit to Airport Coverage (b)  | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | 357                  |      |
| <b>Subtotal Dedicated Revenues</b>   | <b>\$ 5,762,935</b>  | <b>\$ 4,996,361</b>  | <b>\$ 4,998,904</b>  | <b>\$ 4,996,569</b>  | <b>\$ 4,995,687</b>  | <b>\$ 4,994,213</b>  | <b>\$ 4,995,980</b>  | <b>\$ 4,995,722</b>  | <b>\$ 4,997,996</b>  |      |
| <b>Subtotal Debt Service less Dedicated Revenues</b>                               | <b>\$ 12,721,821</b> | <b>\$ 12,460,523</b> | <b>\$ 10,643,391</b> | <b>\$ 10,419,116</b> | <b>\$ 10,425,101</b> | <b>\$ 10,328,677</b> | <b>\$ 10,287,681</b> | <b>\$ 9,954,426</b>  | <b>\$ 8,805,014</b>  |      |
| <b>Required Deposit to Airport Coverage Account (b)</b>                            | <b>\$ 183,007</b>    | <b>\$ 65,325</b>     | <b>\$ 56,069</b>     | <b>\$ -</b>          |      |
| <b>Total Debt Service, Capital Lease, and Airport Coverage Account requirement</b> | <b>\$ 12,904,828</b> | <b>\$ 12,525,847</b> | <b>\$ 10,699,460</b> | <b>\$ 10,419,116</b> | <b>\$ 10,425,101</b> | <b>\$ 10,328,677</b> | <b>\$ 10,287,681</b> | <b>\$ 9,954,426</b>  | <b>\$ 8,805,014</b>  |      |
| <b>Allocation of Debt Service less Dedicated Revenues to Cost Centers</b>          |                      |                      |                      |                      |                      |                      |                      |                      |                      |      |
| Terminal   | \$ 4,163,023         | \$ 4,080,886         | \$ 3,515,183         | \$ 3,298,671         | \$ 3,313,604         | \$ 3,429,290         | \$ 4,996,921         | \$ 4,905,535         | \$ 4,675,493         |      |
| Other Building, Grounds, & Cargo   | 596,037              | 621,148              | 658,333              | 658,469              | 662,006              | 648,812              | 673,721              | 625,761              | 406,592              |      |
| Airfield   | 2,749,771            | 2,530,829            | 1,725,043            | 1,683,409            | 1,672,010            | 1,648,849            | 1,611,047            | 1,511,714            | 1,130,318            |      |
| Parking and Roadways   | 5,395,998            | 5,292,985            | 4,800,901            | 4,778,566            | 4,777,480            | 4,601,727            | 3,005,992            | 2,911,416            | 2,592,611            |      |
| RL Jones, Jr. Airport  | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    | -                    |      |
| <b>Total</b>   | <b>\$ 12,904,828</b> | <b>\$ 12,525,847</b> | <b>\$ 10,699,460</b> | <b>\$ 10,419,116</b> | <b>\$ 10,425,101</b> | <b>\$ 10,328,677</b> | <b>\$ 10,287,681</b> | <b>\$ 9,954,426</b>  | <b>\$ 8,805,014</b>  |      |

(a) The 2016 Spartan loan, which established a \$1,500,000 line of credit with Arvest Bank in 2016, is on parity with outstanding general airport revenue bonds.

(b) Both Gross Revenues and Dedicated Revenues deposit requirements are deposited into the Airport Coverage Account; Dedicated Revenues are available to pay principal and interest on certain bonds, which do not include the 2018A Bonds.

Source: Tulsa Airports Improvement Trust; Hilltop Securities, October 5, 2018.

Exhibit D

**OPERATING EXPENSES**  
Tulsa Airports Improvement Trust  
For Fiscal Years Ending June 30

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by TAIT, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

|  | Actual               |                      | Estimate             | Budget               | Forecast             |                      |                      |                      |                      |  |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|--|
|  | 2016                 | 2017                 | 2018                 | 2019                 | 2020                 | 2021                 | 2022                 | 2023                 | 2024                 |  |
| <b>Operating Expenses (a)</b>                    |                      |                      |                      |                      |                      |                      |                      |                      |                      |  |
| Personnel Compensation and Benefits              | \$ 11,039,429        | \$ 10,691,803        | \$ 11,268,685        | \$ 11,483,828        | \$ 11,770,924        | \$ 12,065,197        | \$ 12,366,827        | \$ 12,675,997        | \$ 12,992,897        |  |
| Service Contracts                                | 7,329,503            | 7,669,935            | 6,966,602            | 7,503,398            | 7,767,289            | 8,039,404            | 8,319,987            | 8,609,289            | 8,907,569            |  |
| Materials, Equipment, and Supplies               | 1,082,113            | 1,279,442            | 2,049,471            | 1,996,636            | 2,066,857            | 2,139,266            | 2,213,928            | 2,290,911            | 2,370,283            |  |
| Utilities and Communications                     | 1,658,003            | 1,596,846            | 1,653,234            | 1,733,968            | 1,794,951            | 1,857,834            | 1,922,674            | 1,989,530            | 2,058,459            |  |
| Insurance, Claims, and Settlements               | 324,543              | 304,100              | 313,636              | 315,120              | 322,998              | 331,073              | 339,350              | 347,834              | 356,529              |  |
| Other  | 752,867              | 766,521              | 859,741              | 1,384,962            | 1,419,586            | 1,455,076            | 1,491,453            | 1,528,739            | 1,566,957            |  |
| <b>Total Operating Expenses</b>                  | <b>\$ 22,186,458</b> | <b>\$ 22,308,647</b> | <b>\$ 23,111,369</b> | <b>\$ 24,417,912</b> | <b>\$ 25,142,604</b> | <b>\$ 25,887,849</b> | <b>\$ 26,654,218</b> | <b>\$ 27,442,299</b> | <b>\$ 28,252,695</b> |  |
| <b>Operating Expenses by Cost Center</b>         |                      |                      |                      |                      |                      |                      |                      |                      |                      |  |
| Terminal   | \$ 11,848,833        | \$ 11,745,736        | \$ 12,168,377        | \$ 12,856,286        | \$ 13,237,844        | \$ 13,630,223        | \$ 14,033,724        | \$ 14,448,657        | \$ 14,875,339        |  |
| Other Buildings, Grounds & Cargo                 | 484,733              | 509,218              | 527,541              | 557,364              | 573,906              | 590,917              | 608,410              | 626,398              | 644,897              |  |
| Airfield   | 5,614,641            | 5,923,822            | 6,136,977            | 6,483,915            | 6,676,349            | 6,874,241            | 7,077,742            | 7,287,009            | 7,502,201            |  |
| Parking and Rental Car                           | 3,387,402            | 3,174,964            | 3,289,207            | 3,475,154            | 3,578,292            | 3,684,355            | 3,793,425            | 3,905,584            | 4,020,920            |  |
| RL Jones, Jr. Airport                            | 850,849              | 954,908              | 989,268              | 1,045,193            | 1,076,213            | 1,108,113            | 1,140,917            | 1,174,650            | 1,209,339            |  |
| <b>Total Operating Expenses</b>                  | <b>\$ 22,186,458</b> | <b>\$ 22,308,647</b> | <b>\$ 23,111,369</b> | <b>\$ 24,417,912</b> | <b>\$ 25,142,604</b> | <b>\$ 25,887,849</b> | <b>\$ 26,654,218</b> | <b>\$ 27,442,299</b> | <b>\$ 28,252,695</b> |  |
| <i>Percent Increase (Decrease)</i>               |                      | 0.6%                 | 3.6%                 | 5.7%                 | 3.0%                 | 3.0%                 | 3.0%                 | 3.0%                 | 3.0%                 |  |
| <b>Reconciliation to Bond Indenture</b>          |                      |                      |                      |                      |                      |                      |                      |                      |                      |  |
| Plus: Operating Capital Equipment Purchases (b)  | 478,284              | 914,000              | 1,882,791            | 1,500,000            | 500,000              | 500,000              | 500,000              | 500,000              | 500,000              |  |
| Plus: Vested Compensated Absences                | -                    | 50,802               | -                    | -                    | -                    | -                    | -                    | -                    | -                    |  |
| Less: Municipal Pension Expense                  | (302,498)            | (297,564)            | -                    | -                    | -                    | -                    | -                    | -                    | -                    |  |
| Less: Grant Reimbursements                       | -                    | (726,370)            | -                    | -                    | -                    | -                    | -                    | -                    | -                    |  |
| Less: Bond Purchases Under Fixed Asset Threshold | -                    | (52,558)             | -                    | -                    | -                    | -                    | -                    | -                    | -                    |  |
| <b>Operating Expenses per Bond Indenture</b>     | <b>\$ 22,362,244</b> | <b>\$ 22,196,958</b> | <b>\$ 24,994,160</b> | <b>\$ 25,917,912</b> | <b>\$ 25,642,604</b> | <b>\$ 26,387,849</b> | <b>\$ 27,154,218</b> | <b>\$ 27,942,299</b> | <b>\$ 28,752,695</b> |  |

(a) Operating Expenses per GAAP accounting.

(b) Operating Capital Equipment Purchases includes capital expenditures utilizing less than \$120,000 in Airport cash, which are included as O&M for rates & charges and Rate Covenant calculations purposes.

Source: Tulsa Airports Improvement Trust: Actual/Estimate/Budget; LeighFisher: Forecast.

Exhibit E

**GROSS REVENUES**  
Tulsa Airports Improvement Trust  
For Fiscal Years Ending June 30

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by TAIT, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

|  | Actual<br>2016       | 2017                 | Estimate<br>2018     | Budget<br>2019       | Forecast<br>2020     | 2021                 | 2022                 | 2023                 | 2024                 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Aeronautical Operating Revenues</b>             |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Landing fees                                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Passenger airlines                                 | \$ 5,775,966         | \$ 6,254,186         | \$ 6,397,095         | \$ 5,845,558         | \$ 5,755,329         | \$ 5,854,892         | \$ 6,118,605         | \$ 6,238,074         | \$ 6,114,521         |
| Cargo and other users                              | 1,190,590            | 1,244,249            | 1,726,279            | 1,401,318            | 1,389,016            | 1,423,161            | 1,498,987            | 1,538,859            | 1,518,499            |
| <b>Total Landing Fees (a)</b>                      | <b>\$ 6,966,556</b>  | <b>\$ 7,498,434</b>  | <b>\$ 8,123,374</b>  | <b>\$ 7,246,876</b>  | <b>\$ 7,144,346</b>  | <b>\$ 7,278,052</b>  | <b>\$ 7,617,592</b>  | <b>\$ 7,776,933</b>  | <b>\$ 7,633,019</b>  |
| Terminal Building rentals (b)                      | 3,441,366            | 3,475,411            | 3,808,127            | 3,033,757            | 3,628,100            | 3,750,413            | 4,182,995            | 4,267,145            | 4,324,472            |
| Baggage System revenues (b)                        | 2,272,558            | 2,201,796            | 2,231,062            | 1,966,243            | 2,351,449            | 2,430,722            | 2,711,088            | 2,765,627            | 2,802,782            |
| Per-turn charges                                   | 321,913              | 403,916              | 540,465              | 327,000              | 331,434              | 335,868              | 340,302              | 344,736              | 349,169              |
| Other airline charges                              | 178,714              | 173,217              | 81,042               | 191,483              | 198,866              | 206,499              | 214,387              | 222,540              | 230,966              |
| Signatory Airline - Revenue Sharing Reconciliation | (863,247)            | (282,229)            | (611,632)            | (1,000,000)          | -                    | (3,050,104)          | (1,703,862)          | (2,460,316)          | (2,208,837)          |
| Yearend Reconciliation (c)                         | -                    | -                    | -                    | (1,500,000)          | -                    | -                    | -                    | -                    | -                    |
| <b>Total Airline Revenues</b>                      | <b>\$ 12,317,860</b> | <b>\$ 13,470,546</b> | <b>\$ 14,172,438</b> | <b>\$ 10,265,359</b> | <b>\$ 13,654,194</b> | <b>\$ 10,951,450</b> | <b>\$ 13,362,501</b> | <b>\$ 12,916,664</b> | <b>\$ 13,131,571</b> |
| Less: Cargo airline landing fees                   | \$ (1,190,590)       | \$ (1,244,249)       | \$ (1,726,279)       | \$ (1,401,318)       | \$ (1,389,016)       | \$ (1,423,161)       | \$ (1,498,987)       | \$ (1,538,859)       | \$ (1,518,499)       |
| <b>Subtotal</b>                                    | <b>\$ 11,127,270</b> | <b>\$ 12,226,297</b> | <b>\$ 12,446,159</b> | <b>\$ 8,864,041</b>  | <b>\$ 12,265,178</b> | <b>\$ 9,528,289</b>  | <b>\$ 11,863,515</b> | <b>\$ 11,377,805</b> | <b>\$ 11,613,072</b> |
| Enplaned passengers (d)                            | 1,368,300            | 1,380,299            | 1,430,705            | 1,475,000            | 1,495,000            | 1,515,000            | 1,535,000            | 1,555,000            | 1,575,000            |
| Payments per enplaned passenger                    | \$8.13               | \$8.86               | \$8.70               | \$6.01               | \$8.20               | \$6.29               | \$7.73               | \$7.32               | \$7.37               |
| <i>Percent increase (decrease)</i>                 |                      | 8.9%                 | -1.8%                | -30.9%               | 36.5%                | -23.3%               | 22.9%                | -5.3%                | 0.8%                 |
| <b>Nonairline Airfield Revenues</b>                |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| FBO revenue  | \$ 870,125           | \$ 869,930           | \$ 882,662           | \$ 893,346           | \$ 915,680           | \$ 938,572           | \$ 962,036           | \$ 986,087           | \$ 1,010,739         |
| Hangar, ground and facility leases                 | 658,942              | 654,064              | 671,791              | 664,809              | 681,429              | 698,465              | 715,927              | 733,825              | 752,170              |
| Other airfield revenue                             | 149,758              | 149,283              | 201,814              | 174,653              | 179,019              | 183,495              | 188,082              | 192,784              | 197,604              |
| <b>Subtotal</b>                                    | <b>\$ 1,678,826</b>  | <b>\$ 1,673,277</b>  | <b>\$ 1,756,267</b>  | <b>\$ 1,732,808</b>  | <b>\$ 1,776,128</b>  | <b>\$ 1,820,531</b>  | <b>\$ 1,866,045</b>  | <b>\$ 1,912,696</b>  | <b>\$ 1,960,513</b>  |
| <b>Other Aeronautical Revenues</b>                 |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Hangar, cargo space, and ground rents              | \$ 1,037,908         | \$ 1,039,892         | \$ 1,049,996         | \$ 1,046,034         | \$ 1,072,185         | \$ 1,098,989         | \$ 1,126,464         | \$ 1,154,626         | \$ 1,183,491         |
| Fuel flowage fees                                  | 673,698              | 733,700              | 753,229              | 797,550              | 817,489              | 837,926              | 858,874              | 880,346              | 902,355              |
| Security reimbursements                            | 114,440              | 121,020              | 123,020              | 122,100              | 126,808              | 131,675              | 136,705              | 141,904              | 147,276              |
| Other  | 20,492               | 18,603               | 11,461               | 16,300               | 16,708               | 17,125               | 17,553               | 17,992               | 18,442               |
| <b>Subtotal</b>                                    | <b>\$ 1,846,539</b>  | <b>\$ 1,913,216</b>  | <b>\$ 1,937,706</b>  | <b>\$ 1,981,984</b>  | <b>\$ 2,033,189</b>  | <b>\$ 2,085,715</b>  | <b>\$ 2,139,597</b>  | <b>\$ 2,194,868</b>  | <b>\$ 2,251,564</b>  |
| <b>Total Aeronautical Operating Revenues</b>       | <b>\$ 15,843,225</b> | <b>\$ 17,057,039</b> | <b>\$ 17,866,411</b> | <b>\$ 13,980,151</b> | <b>\$ 17,463,512</b> | <b>\$ 14,857,697</b> | <b>\$ 17,368,142</b> | <b>\$ 17,024,228</b> | <b>\$ 17,343,649</b> |
| <b>Non-Aeronautical Operating Revenues</b>         |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| <b>Terminal Revenues</b>                           |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Food and Beverage                                  | \$ 660,284           | \$ 638,202           | \$ 758,102           | \$ 1,012,940         | \$ 1,051,998         | \$ 1,092,372         | \$ 1,134,102         | \$ 1,177,231         | \$ 1,221,803         |
| Retail   | 608,071              | 567,579              | 696,554              | 928,618              | 964,425              | 1,001,438            | 1,039,694            | 1,079,233            | 1,120,094            |
| Other Terminal Concessions and Revenue             | 813,442              | 983,455              | 1,026,534            | 1,023,171            | 1,062,624            | 1,103,405            | 1,145,557            | 1,189,121            | 1,234,144            |
| <b>Subtotal Terminal Non-Aeronautical Revenues</b> | <b>\$ 2,081,797</b>  | <b>\$ 2,189,236</b>  | <b>\$ 2,481,190</b>  | <b>\$ 2,964,729</b>  | <b>\$ 3,079,047</b>  | <b>\$ 3,197,214</b>  | <b>\$ 3,319,352</b>  | <b>\$ 3,445,585</b>  | <b>\$ 3,576,041</b>  |

Exhibit E (continued)

**GROSS REVENUES**  
Tulsa Airports Improvement Trust  
For Fiscal Years Ending June 30

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by TAIT, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

|   | Actual<br>2016       | 2017                 | Estimate<br>2018     | Budget<br>2019       | Forecast<br>2020     | 2021                 | 2022                 | 2023                 | 2024                 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Other Non-Aeronautical Operating Revenues</b>  |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Rental Car Revenues (e)                           | \$ 4,687,772         | \$ 4,520,360         | \$ 4,771,845         | \$ 4,913,911         | \$ 5,103,388         | \$ 5,299,246         | \$ 5,501,684         | \$ 5,710,909         | \$ 5,927,134         |
| Parking Revenues (f)                              | 7,882,405            | 8,111,127            | 9,777,426            | 10,571,216           | 10,714,555           | 10,857,893           | 11,001,232           | 11,144,570           | 11,287,909           |
| Hotel Revenues                                    | 254,424              | 241,932              | 244,918              | 235,300              | 244,373              | 253,752              | 263,445              | 273,464              | 283,818              |
| Ground Rents and Facilities Leases                | 343,344              | 411,336              | 526,819              | 518,349              | 531,308              | 544,590              | 558,205              | 572,160              | 586,464              |
| Transportation Trip Charges                       | -                    | -                    | 106,321              | 276,600              | 283,515              | 290,603              | 297,868              | 305,315              | 312,948              |
| Other Non-Aeronautical Revenue                    | 87,971               | 104,047              | 115,424              | 98,620               | 101,086              | 103,613              | 106,203              | 108,858              | 111,579              |
| <b>Subtotal Other Non-Aeronautical Revenues</b>   | <b>\$ 13,255,916</b> | <b>\$ 13,388,802</b> | <b>\$ 15,542,754</b> | <b>\$ 16,613,996</b> | <b>\$ 16,978,224</b> | <b>\$ 17,349,696</b> | <b>\$ 17,728,637</b> | <b>\$ 18,115,276</b> | <b>\$ 18,509,851</b> |
| Revenue from RL Jones, Jr. Airport                | \$ 1,047,393         | \$ 1,078,762         | \$ 1,094,002         | \$ 1,127,720         | \$ 1,155,913         | \$ 1,184,811         | \$ 1,214,431         | \$ 1,244,792         | \$ 1,275,912         |
| Revenue from Okmulgee Airport                     | \$ 77,490            | \$ 72,093            | \$ 95,398            | \$ 110,716           | \$ 113,484           | \$ 116,321           | \$ 119,229           | \$ 122,210           | \$ 125,265           |
| <b>Total Non-Aeronautical Operating Revenues</b>  | <b>\$ 16,462,596</b> | <b>\$ 16,728,892</b> | <b>\$ 19,213,343</b> | <b>\$ 20,817,161</b> | <b>\$ 21,326,668</b> | <b>\$ 21,848,042</b> | <b>\$ 22,381,649</b> | <b>\$ 22,927,862</b> | <b>\$ 23,487,069</b> |
| <b>Total Operating Revenues</b>                   | <b>\$ 32,305,820</b> | <b>\$ 33,785,931</b> | <b>\$ 37,079,754</b> | <b>\$ 34,797,312</b> | <b>\$ 38,790,179</b> | <b>\$ 36,705,739</b> | <b>\$ 39,749,791</b> | <b>\$ 39,952,090</b> | <b>\$ 40,830,717</b> |
| <b>Other</b>                                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Customer Facility Charge (CFC) revenue            | \$ 3,317,840         | \$ 3,126,212         | \$ 3,190,496         | \$ 3,180,720         | \$ 3,223,848         | \$ 3,266,977         | \$ 3,310,105         | \$ 3,353,234         | \$ 3,396,362         |
| Interest Earned (g)                               | 204,412              | 247,802              | 402,486              | 316,000              | 323,900              | 331,998              | 340,297              | 348,805              | 357,525              |
| Other   | 98,360               | 102,527              | 105,090              | 107,717              | 110,410              | 113,171              | 116,000              | 118,900              | 121,872              |
| <b>Subtotal Other Revenues</b>                    | <b>\$ 3,620,612</b>  | <b>\$ 3,476,541</b>  | <b>\$ 3,698,072</b>  | <b>\$ 3,604,437</b>  | <b>\$ 3,658,159</b>  | <b>\$ 3,712,145</b>  | <b>\$ 3,766,403</b>  | <b>\$ 3,820,938</b>  | <b>\$ 3,875,759</b>  |
| Subtotal Gross Revenues before transfer           | \$ 35,926,432        | \$ 37,262,472        | \$ 40,777,826        | \$ 38,401,750        | \$ 42,448,338        | \$ 40,417,884        | \$ 43,516,194        | \$ 43,773,028        | \$ 44,706,477        |
| Percent Increase (decrease)                       |                      | 3.7%                 | 9.4%                 | -5.8%                | 10.5%                | -4.8%                | 7.7%                 | 0.6%                 | 2.1%                 |
| <b>Transfer from Airport Improvement Fund (h)</b> | <b>\$ 5,236,372</b>  | <b>\$ 6,873,107</b>  | <b>\$ 6,284,891</b>  | <b>\$ 9,794,656</b>  | <b>\$ 10,664,379</b> | <b>\$ 13,191,382</b> | <b>\$ 11,836,567</b> | <b>\$ 11,639,952</b> | <b>\$ 12,636,398</b> |
| <b>Total Gross Revenues</b>                       | <b>\$ 41,162,804</b> | <b>\$ 44,135,579</b> | <b>\$ 47,062,717</b> | <b>\$ 48,196,406</b> | <b>\$ 53,112,717</b> | <b>\$ 53,609,266</b> | <b>\$ 55,352,760</b> | <b>\$ 55,412,981</b> | <b>\$ 57,342,874</b> |

(a) ULA Bridge Agreement caps combined Airline/Cargo Carrier Signatory Landing Fees at \$6.5m for FY 2019. Amounts in excess of \$6.5m represent non-signatory Airline/Cargo revenues

(b) ULA Bridge Agreement caps combined Airline Signatory Baggage System fees and Terminal Rents at \$5.0m for FY 2019.

(c) Estimated airline reconciliation for FY 2018 to be included in FY 2019 financial reporting; prior year reconciliations already included in financials; future year forecasts assume no reconciliation being required.

(d) Includes signatory and nonsignatory enplaned passengers.

(e) Excludes Customer Facility Charge revenues.

(f) Parking revenues are net of sales tax.

(g) Includes interest earnings on bond debt service reserve funds and other miscellaneous accounts.

(h) Includes balance in Airport Coverage Account plus amounts remaining in Airport Improvement Fund after Signatory Airline share and capital projects paid from TAIT share.

Source: Tulsa Airports Improvement Trust: Actual/Estimate/Budget; LeighFisher: Forecast.

Exhibit F-1

**TERMINAL BUILDING RENTAL RATES**  
Tulsa Airports Improvement Trust  
For Fiscal Years Ending June 30

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by TAIT, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

|  | Budget       | Forecast      |               |               |               |               |
|--|--------------|---------------|---------------|---------------|---------------|---------------|
|  | 2019         | 2020          | 2021          | 2022          | 2023          | 2024          |
| <b>Terminal Building Requirement (a)</b>                             |              |               |               |               |               |               |
| Operating Expenses   |              | \$ 13,237,844 | \$ 13,630,223 | \$ 14,033,724 | \$ 14,448,657 | \$ 14,875,339 |
| Operating Reserve Account Deposit                                    |              | 91,364        | 98,095        | 100,875       | 103,733       | 106,670       |
| Debt Service, Capital Lease, and Coverage requirement                |              | 3,313,604     | 3,429,290     | 4,996,921     | 4,905,535     | 4,675,493     |
| Equipment and Capital Outlays (b)                                    |              | 125,000       | 125,000       | 125,000       | 125,000       | 125,000       |
| Amortization Charges   |              | 387,114       | 450,657       | 522,142       | 593,627       | 665,113       |
| Net Terminal Building Requirement                                    |              | \$ 17,154,926 | \$ 17,733,264 | \$ 19,778,663 | \$ 20,176,553 | \$ 20,447,615 |
| Leasable Space (s.f.)  |              | 260,478       | 260,478       | 260,478       | 260,478       | 260,478       |
| Average Terminal Rental Rate   |              | \$ 65.86      | \$ 68.08      | \$ 75.93      | \$ 77.46      | \$ 78.50      |
| Airline Leasable Space (s.f.)  |              | 128,736       | 128,736       | 128,736       | 128,736       | 128,736       |
| Value of Airline Leasable Space                                      |              | \$ 8,478,454  | \$ 8,764,286  | \$ 9,775,180  | \$ 9,971,829  | \$ 10,105,795 |
| Airline Leased Space   | 50,303       | 50,303        | 50,303        | 50,303        | 50,303        | 50,303        |
| Subtotal Airline Terminal Rental Revenue                             | \$ 3,797,772 | \$ 3,628,100  | \$ 3,750,413  | \$ 4,182,995  | \$ 4,267,145  | \$ 4,324,472  |
| Less: Airline Terminal Rental Revenue Cap Adjustment (a)             | (764,014)    | -             | -             | -             | -             | -             |
| Subtotal Terminal Rental Revenue After Cap                           | \$ 3,033,757 | \$ 3,628,100  | \$ 3,750,413  | \$ 4,182,995  | \$ 4,267,145  | \$ 4,324,472  |
| <b>Baggage System Requirement (a)</b>                                |              |               |               |               |               |               |
| Upper Level Baggage Systems Rate (Type II)                           | \$ 72.66     | \$ 69.41      | \$ 71.75      | \$ 80.03      | \$ 81.64      | \$ 82.74      |
| Upper Level Baggage Systems Space (Type II)                          | 12,899       | 12,899        | 12,899        | 12,899        | 12,899        | 12,899        |
|  | \$ 937,212   | \$ 895,340    | \$ 925,525    | \$ 1,032,277  | \$ 1,053,043  | \$ 1,067,191  |
| Lower Level Baggage Systems Rate (Type III)                          | \$ 48.44     | \$ 46.28      | \$ 47.84      | \$ 53.35      | \$ 54.43      | \$ 55.16      |
| Lower Level Baggage Systems Space (Type III)                         | 31,466       | 31,466        | 31,466        | 31,466        | 31,466        | 31,466        |
|  | \$ 1,524,204 | \$ 1,456,108  | \$ 1,505,197  | \$ 1,678,811  | \$ 1,712,584  | \$ 1,735,591  |
| Subtotal Baggage Systems Revenue                                     | \$ 2,461,416 | \$ 2,351,449  | \$ 2,430,722  | \$ 2,711,088  | \$ 2,765,627  | \$ 2,802,782  |
| Baggage Systems Revenue Cap  | (495,174)    | -             | -             | -             | -             | -             |
| Subtotal Baggage System Revenue After Cap                            | \$ 1,966,243 | \$ 2,351,449  | \$ 2,430,722  | \$ 2,711,088  | \$ 2,765,627  | \$ 2,802,782  |
| <b>Total Terminal Rent and Baggage System Revenues after Cap (a)</b> | \$ 5,000,000 | \$ 5,979,548  | \$ 6,181,135  | \$ 6,894,083  | \$ 7,032,772  | \$ 7,127,254  |

(a) In accordance with the ULA Bridge Agreement, airlines will be charged FY 2018 Terminal Rental and Baggage System rates during FY 2019 ; the Bridge Agreement further caps the combined Airline Signatory Baggage System fees and Terminal Rents at \$5.0m for FY 2019.

(b) Operating Capital Equipment Purchases includes capital expenditures utilizing less than \$120,000 in Airport cash, which are included as O&M for rates & charges and Rate Covenant calculations purposes.

Source: Tulsa Airports Improvement Trust: Budget; LeighFisher: Forecast.

Exhibit F-2

**LANDING FEE CALCULATION**  
Tulsa Airports Improvement Trust  
For Fiscal Years Ending June 30

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by TAIT, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

|   | Budget<br>2019 | Forecast<br>2020 | 2021         | 2022         | 2023         | 2024         |
|---|----------------|------------------|--------------|--------------|--------------|--------------|
| <b>Airfield Area Requirement (a)</b>                          |                |                  |              |              |              |              |
| Operating Expenses  |                | \$ 6,676,349     | \$ 6,874,241 | \$ 7,077,742 | \$ 7,287,009 | \$ 7,502,201 |
| Operating Reserve Account Deposit                             |                | 46,078           | 49,473       | 50,875       | 52,317       | 53,798       |
| Debt Service, Capital Lease, and Coverage Requirement         |                | 1,672,010        | 1,648,849    | 1,611,047    | 1,511,714    | 1,130,318    |
| Equipment and Capital Outlays (b)                             |                | 132,000          | 132,000      | 132,000      | 132,000      | 132,000      |
| Amortization Charges  |                | 394,036          | 394,021      | 611,972      | 706,590      | 775,216      |
| Total Airfield Area Expenses                                  |                | \$ 8,920,474     | \$ 9,098,584 | \$ 9,483,636 | \$ 9,689,629 | \$ 9,593,532 |
| Less: Airfield Area Nonairline Revenues                       |                | (1,776,128)      | (1,820,531)  | (1,866,045)  | (1,912,696)  | (1,960,513)  |
| Net Airfield Area Requirement                                 |                | \$ 7,144,346     | \$ 7,278,052 | \$ 7,617,592 | \$ 7,776,933 | \$ 7,633,019 |
| Signatory Airline Landed Weight                               | 2,115,740      | 2,144,310        | 2,171,763    | 2,197,455    | 2,224,580    | 2,251,801    |
| Non-Signatory Airline Landed Weight                           | 165,000        | 165,000          | 165,000      | 165,000      | 165,000      | 165,000      |
| Total Landed Weight   | 2,280,740      | 2,309,310        | 2,336,763    | 2,362,455    | 2,389,580    | 2,416,801    |
| <b>Signatory Airline Landing Fee Rate (1,000 pound units)</b> | \$ 3.62        | \$ 3.04          | \$ 3.06      | \$ 3.17      | \$ 3.20      | \$ 3.11      |
| Non-Signatory Airline Premium                                 | 1.25           | 1.25             | 1.25         | 1.25         | 1.25         | 1.25         |
| Non-Signatory Airline Landing Fee Rate (1,000 pound units)    | \$ 4.53        | \$ 3.80          | \$ 3.83      | \$ 3.96      | \$ 4.00      | \$ 3.88      |
| <b>Landing Fee Payments by Signatory Status</b>               |                |                  |              |              |              |              |
| Signatory   | \$ 7,661,558   | \$ 6,517,465     | \$ 6,646,812 | \$ 6,963,964 | \$ 7,117,079 | \$ 6,992,548 |
| Non-signatory   | 746,876        | 626,881          | 631,241      | 653,628      | 659,854      | 640,471      |
| <b>Total Landing Fee Revenue before Cap</b>                   | \$ 8,408,435   | \$ 7,144,346     | \$ 7,278,052 | \$ 7,617,592 | \$ 7,776,933 | \$ 7,633,019 |
| <b>Signatory Airline Landing Fee Revenue</b>                  | \$ 7,661,558   |                  |              |              |              |              |
| Less: Signatory Airline Landing Fee Revenue Cap (a)           | 6,500,000      |                  |              |              |              |              |
| Revenues in Excess of Cap                                     | \$ 1,161,558   |                  |              |              |              |              |
| <b>Signatory Airline Landing Fee Revenue</b>                  | \$ 7,661,558   |                  |              |              |              |              |
| Less: Signatory Airline Landing Fee Revenue Cap (a)           | (1,161,558)    |                  |              |              |              |              |
| <b>Capped Signatory Airline Landing Fee Revenue</b>           | \$ 6,500,000   |                  |              |              |              |              |
| Plus: Non-signatory Airline Landing Fee Revenue               | 746,876        |                  |              |              |              |              |
| <b>Total Landing Fee Revenue</b>                              | \$ 7,246,876   | \$ 7,144,346     | \$ 7,278,052 | \$ 7,617,592 | \$ 7,776,933 | \$ 7,633,019 |

(a) In accordance with the ULA Bridge Agreement, airlines will be charged FY 2018 Signatory Landing Fee rates during FY 2019 with non-signatory paying a premium of 1.25x; the Bridge Agreement further caps the Signatory Landing Fee revenues at \$6.5m for FY 2019 and removes the Reliever Airport cost center from the Airfield Requirement; removal of the Reliever Airport cost center from the Airfield Requirement is assumed throughout the forecast period.

(b) Operating Capital Equipment Purchases includes capital expenditures utilizing less than \$120,000 in Airport cash, which are included as O&M for rates & charges and Rate Covenant calculations purposes.

Source: Tulsa Airports Improvement Trust: Budget; LeighFisher: Forecast.

Exhibit G

**APPLICATION OF GROSS AND DEDICATED REVENUES**

Tulsa Airports Improvement Trust  
For Fiscal Years Ending June 30

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by TAIT, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

|   | Budget        | Forecast      |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|---------------|
|   | 2019          | 2020          | 2021          | 2022          | 2023          | 2024          |
| <b>Revenues</b>                             |               |               |               |               |               |               |
| Dedicated Revenues (a)                      | \$ 4,996,569  | \$ 4,995,687  | \$ 4,994,213  | \$ 4,995,980  | \$ 4,995,722  | \$ 4,997,996  |
| Gross Revenues                              |               |               |               |               |               |               |
| Aeronautical Revenues                       | \$ 13,980,151 | \$ 17,463,512 | \$ 14,857,697 | \$ 17,368,142 | \$ 17,024,228 | \$ 17,343,649 |
| Non-Aeronautical Revenues                   | 20,817,161    | 21,326,668    | 21,848,042    | 22,381,649    | 22,927,862    | 23,487,069    |
| Other Revenues (b)                          | 3,604,437     | 3,658,159     | 3,712,145     | 3,766,403     | 3,820,938     | 3,875,759     |
| Transfers from Airport Improvement Fund (c) | 9,794,656     | 10,664,379    | 13,191,382    | 11,836,567    | 11,639,952    | 12,636,398    |
| Subtotal Gross Revenues                     | \$ 48,196,406 | \$ 53,112,717 | \$ 53,609,266 | \$ 55,352,760 | \$ 55,412,981 | \$ 57,342,874 |
| <b>Total Revenues</b>                       | \$ 53,192,975 | \$ 58,108,404 | \$ 58,603,478 | \$ 60,348,741 | \$ 60,408,703 | \$ 62,340,870 |
| <b>Application of Revenues</b>              |               |               |               |               |               |               |
| Operating Expenses                          | \$ 24,417,912 | \$ 25,142,604 | \$ 25,887,849 | \$ 26,654,218 | \$ 27,442,299 | \$ 28,252,695 |
| Bond Fund                                   | 15,415,684    | 15,420,787    | 15,322,890    | 15,283,662    | 14,950,148    | 13,803,009    |
| Bond Reserve Fund                           | -             | -             | -             | -             | -             | -             |
| Operating Reserve Account                   | -             | 173,527       | 186,311       | 191,592       | 197,020       | 202,599       |
| Airport Improvement Fund Transfers          |               |               |               |               |               |               |
| Airport Coverage Account                    | \$ 3,853,921  | \$ 3,855,197  | \$ 3,830,722  | \$ 3,820,915  | \$ 3,737,537  | \$ 3,450,752  |
| CFC Reserve Deposit                         | -             | -             | -             | 854,750       | 1,155,035     | 2,318,602     |
| TAIT Share                                  | 1,957,722     | 3,050,104     | 1,703,862     | 2,460,316     | 2,208,837     | 2,260,291     |
| Signatory Airline share                     | -             | 3,050,104     | 1,703,862     | 2,460,316     | 2,208,837     | 2,260,291     |
| Airport Improvement Fund Balances           | 7,547,735     | 7,416,081     | 9,967,982     | 8,622,970     | 8,508,989     | 9,792,632     |
| Subtotal Airport Improvement Fund           | \$ 13,359,379 | \$ 17,371,485 | \$ 17,206,429 | \$ 18,219,269 | \$ 17,819,235 | \$ 20,082,567 |
| <b>Total Application of Revenues</b>        | \$ 53,192,975 | \$ 58,108,404 | \$ 58,603,478 | \$ 60,348,741 | \$ 60,408,703 | \$ 62,340,870 |

(a) Includes PFC revenue and AIP grants which the Trustees have dedicated to pay an amount equal to 1.25 times principal of and/or interest on Bonds; Dedicated Revenues are available to pay principal and interest on certain bonds, which do not include the 2018A Bonds.

(b) Includes CFC revenues, interest earnings, security reimbursements and other miscellaneous revenues.

(c) Includes balance in Airport Coverage Account plus amounts remaining in Airport Improvement Fund after Signatory Airline share and capital projects paid from TAIT share.

Source: Tulsa Airports Improvement Trust: Budget; LeighFisher: Forecast.

Exhibit H

**APPLICATION OF CFC REVENUES**  
Tulsa Airports Improvement Trust  
For Fiscal Years Ending June 30

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by TAIT, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

|  | Budget<br>2019 | Forecast<br>2020 | 2021         | 2022         | 2023         | 2024         |
|--|----------------|------------------|--------------|--------------|--------------|--------------|
| <b>Annual CFC collections</b>                        |                |                  |              |              |              |              |
| Total Enplaned Passengers                            | 1,475,000      | 1,495,000        | 1,515,000    | 1,535,000    | 1,555,000    | 1,575,000    |
| Transaction-Days per Enplaned Passenger (a)          | 0.54           | 0.54             | 0.54         | 0.54         | 0.54         | 0.54         |
| Rental Car Transaction-Days                          | 795,180        | 805,962          | 816,744      | 827,526      | 838,308      | 849,091      |
| CFC Rate (\$ / Transaction-Day)                      | \$ 4.00        | \$ 4.00          | \$ 4.00      | \$ 4.00      | \$ 4.00      | \$ 4.00      |
| CFC Revenues   | \$ 3,180,720   | \$ 3,223,848     | \$ 3,266,977 | \$ 3,310,105 | \$ 3,353,234 | \$ 3,396,362 |
| <b>CFC Cash Flow</b>                                 |                |                  |              |              |              |              |
| Beginning Balance                                    | \$ 3,691,376   | \$ 3,064,837     | \$ 2,468,799 | \$ 1,722,723 | \$ 2,577,473 | \$ 3,732,508 |
| Add: CFC Revenues                                    | 3,180,720      | 3,223,848        | 3,266,977    | 3,310,105    | 3,353,234    | 3,396,362    |
| Total CFC Revenues Including Balances [A]            | \$ 6,872,096   | \$ 6,288,686     | \$ 5,735,775 | \$ 5,032,829 | \$ 5,930,707 | \$ 7,128,870 |
| <b>CFC Expenditures</b>                              |                |                  |              |              |              |              |
| Debt Service   |                |                  |              |              |              |              |
| Series 2010A   | \$ 115,079     | \$ 114,486       | \$ 105,293   | \$ -         | \$ -         | \$ -         |
| Series 2010B   | 963,606        | 968,953          | 885,410      | -            | -            | -            |
| Series 2010C   | 9,028          | 8,716            | 8,581        | 6,455        | 6,183        | 6,224        |
| Series 2015A   | 2,539,890      | 2,546,569        | 2,431,071    | 2,264,691    | 2,006,314    | 884,336      |
| Series 2015C   | 52,423         | 52,023           | 51,619       | 51,165       | 50,663       | 50,135       |
| Subtotal Debt Service Paid by CFCs [B]               | \$ 3,680,026   | \$ 3,690,747     | \$ 3,481,974 | \$ 2,322,311 | \$ 2,063,159 | \$ 940,695   |
| CFC Required Deposit to Airport Coverage Account [B] | -              | -                | -            | -            | -            | -            |
| QTA O&M Expenses [B]                                 | 127,232        | 129,141          | 131,078      | 133,044      | 135,040      | 137,065      |
| Pay-as-you-go Project Funding [B]                    | -              | -                | 200,000      | -            | -            | -            |
| Total CFC Expenditures [C]=[ΣB]                      | \$ 3,807,258   | \$ 3,819,887     | \$ 4,013,052 | \$ 2,455,355 | \$ 2,198,199 | \$ 1,077,760 |
| <b>CFC Ending Balance [A-C]</b>                      | \$ 3,064,837   | \$ 2,468,799     | \$ 1,722,723 | \$ 2,577,473 | \$ 3,732,508 | \$ 6,051,110 |

(a) Based on average historical rental car activity at Tulsa International Airport.

Source: Tulsa Airports Improvement Trust: Budget; LeighFisher: Forecast.

Exhibit I

**APPLICATION OF PFC REVENUES**  
Tulsa Airports Improvement Trust  
For Fiscal Years Ending June 30

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by TAIT, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

|  |           | Budget<br>2019 | Forecast<br>2020 | 2021         | 2022         | 2023          | 2024          |
|--|-----------|----------------|------------------|--------------|--------------|---------------|---------------|
| <b>Annual PFC Collections</b>                    |           |                |                  |              |              |               |               |
| Enplaned Passengers                              | [A]       | 1,475,000      | 1,495,000        | 1,515,000    | 1,535,000    | 1,555,000     | 1,575,000     |
| Eligible Enplaned Passengers as a % of Total (a) | [B]       | 88.1%          | 88.1%            | 88.1%        | 88.1%        | 88.1%         | 88.1%         |
| PFC Level  |           | \$ 4.50        | \$ 4.50          | \$ 4.50      | \$ 4.50      | \$ 4.50       | \$ 4.50       |
| Less: Airline Collection Fee                     |           | (0.11)         | (0.11)           | (0.11)       | (0.11)       | (0.11)        | (0.11)        |
| Net PFC  | [C]       | \$ 4.39        | \$ 4.39          | \$ 4.39      | \$ 4.39      | \$ 4.39       | \$ 4.39       |
| Annual PFC Collections                           | [AxBxC]   | \$ 5,701,986   | \$ 5,779,301     | \$ 5,856,616 | \$ 5,933,931 | \$ 6,011,246  | \$ 6,088,561  |
| <b>PFC Cash Flow</b>                             |           |                |                  |              |              |               |               |
| Beginning Balance                                | [D]       | \$ 1,298,195   | \$ 2,032,121     | \$ 2,844,632 | \$ 3,736,318 | \$ 4,703,938  | \$ 5,749,518  |
| PFC Collections                                  |           | \$ 5,701,986   | \$ 5,779,301     | \$ 5,856,616 | \$ 5,933,931 | \$ 6,011,246  | \$ 6,088,561  |
| Interest Earnings                                |           | 28,510         | 28,897           | 29,283       | 29,670       | 30,056        | 30,443        |
| Subtotal PFC Revenues                            | [E]       | \$ 5,730,496   | \$ 5,808,197     | \$ 5,885,899 | \$ 5,963,601 | \$ 6,041,302  | \$ 6,119,004  |
| Total PFC Revenues Including Balances            | [F]=[D+E] | \$ 7,028,690   | \$ 7,840,319     | \$ 8,730,531 | \$ 9,699,919 | \$ 10,745,240 | \$ 11,868,522 |
| <b>PFC Expenditures</b>                          |           |                |                  |              |              |               |               |
| Debt Service                                     |           |                |                  |              |              |               |               |
| Series 2013A                                     |           | \$ 2,055,027   | \$ 2,056,603     | \$ 2,056,692 | \$ 2,055,647 | \$ 2,056,993  | \$ 2,056,639  |
| Series 2015D                                     |           | 2,941,542      | 2,939,083        | 2,937,521    | 2,940,333    | 2,938,729     | 2,941,000     |
| Subtotal Debt Service Paid with PFCs (b)         |           | \$ 4,996,569   | \$ 4,995,687     | \$ 4,994,213 | \$ 4,995,980 | \$ 4,995,722  | \$ 4,997,639  |
| Deposit to Airport Coverage Account (c)          |           | -              | -                | -            | -            | -             | 357           |
| PFC Debt Service                                 | [H]       | \$ 4,996,569   | \$ 4,995,687     | \$ 4,994,213 | \$ 4,995,980 | \$ 4,995,722  | \$ 4,997,996  |
| Pay-as-you-go Project Funding                    | [G]       | -              | -                | -            | -            | -             | -             |
| Total PFC Expenditures                           | [I]=[G+H] | \$ 4,996,569   | \$ 4,995,687     | \$ 4,994,213 | \$ 4,995,980 | \$ 4,995,722  | \$ 4,997,996  |
| <b>PFC Ending Balance</b>                        | [F-I]     | \$ 2,032,121   | \$ 2,844,632     | \$ 3,736,318 | \$ 4,703,938 | \$ 5,749,518  | \$ 6,870,526  |

(a) Based on historical average of passengers paying a PFC at Tulsa International Airport.

(b) A portion of the PFC revenues are identified as Designated Revenues and are available to pay principal and interest on certain bonds, which do not include the 2018A Bonds.

(c) Includes deposit to Airport Coverage Account with PFC revenues on PFC-eligible bond series.

Source: Tulsa Airports Improvement Trust: Budget; LeighFisher: Forecast.

Exhibit J

**RATE COVENANT COMPLIANCE**  
Tulsa Airports Improvement Trust  
For Fiscal Years Ending June 30

This exhibit is based on information from the sources indicated and assumptions provided by, or reviewed with and approved by TAIT, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

|  |           | Budget        | Forecast      |               |               |               |               |  |  |
|--|-----------|---------------|---------------|---------------|---------------|---------------|---------------|--|--|
|  |           | 2019          | 2020          | 2021          | 2022          | 2023          | 2024          |  |  |
| <b>Rate Covenant Compliance</b>                |           |               |               |               |               |               |               |  |  |
| Dedicated Revenues (a)                         | [A]       | \$ 4,996,569  | \$ 4,995,687  | \$ 4,994,213  | \$ 4,995,980  | \$ 4,995,722  | \$ 4,997,996  |  |  |
| Gross Revenues                                 |           |               |               |               |               |               |               |  |  |
| Aeronautical Revenues                          |           | \$ 13,980,151 | \$ 17,463,512 | \$ 14,857,697 | \$ 17,368,142 | \$ 17,024,228 | \$ 17,343,649 |  |  |
| Non-Aeronautical Revenues                      |           | 20,817,161    | 21,326,668    | 21,848,042    | 22,381,649    | 22,927,862    | 23,487,069    |  |  |
| Other Revenues (b)                             |           | 3,604,437     | 3,658,159     | 3,712,145     | 3,766,403     | 3,820,938     | 3,875,759     |  |  |
| Transfers from Airport Improvement Fund        |           | 9,794,656     | 10,664,379    | 13,191,382    | 11,836,567    | 11,639,952    | 12,636,398    |  |  |
| Subtotal Gross Revenues                        | [B]       | \$ 48,196,406 | \$ 53,112,717 | \$ 53,609,266 | \$ 55,352,760 | \$ 55,412,981 | \$ 57,342,874 |  |  |
| Total Gross and Dedicated Revenues             | [C]=[A+B] | \$ 53,192,975 | \$ 58,108,404 | \$ 58,603,478 | \$ 60,348,741 | \$ 60,408,703 | \$ 62,340,870 |  |  |
| Less:  |           |               |               |               |               |               |               |  |  |
| Debt Service                                   |           | \$ 15,415,684 | \$ 15,420,787 | \$ 15,322,890 | \$ 15,283,662 | \$ 14,950,148 | \$ 13,803,009 |  |  |
| Coverage (.25 times Debt Service)              |           | 3,853,921     | 3,855,197     | 3,830,722     | 3,820,915     | 3,737,537     | 3,450,752     |  |  |
| Operating Expenses per Bond Indenture          |           | 25,917,912    | 25,642,604    | 26,387,849    | 27,154,218    | 27,942,299    | 28,752,695    |  |  |
| Deficiencies in any Fund or Account            |           | -             | -             | -             | -             | -             | -             |  |  |
| Rate Covenant Requirement                      | [D]       | \$ 45,187,518 | \$ 44,918,588 | \$ 45,541,461 | \$ 46,258,795 | \$ 46,629,985 | \$ 46,006,457 |  |  |
| Amount Exceeding Rate Covenant Requirement (c) | [E]=[C-D] | \$ 8,005,458  | \$ 13,189,816 | \$ 13,062,017 | \$ 14,089,946 | \$ 13,778,718 | \$ 16,334,413 |  |  |
| <b>Debt Service Coverage</b>                   |           |               |               |               |               |               |               |  |  |
| Total Gross and Dedicated Revenues             | [C]       | \$ 53,192,975 | \$ 58,108,404 | \$ 58,603,478 | \$ 60,348,741 | \$ 60,408,703 | \$ 62,340,870 |  |  |
| Less: Operating Expenses per Bond Indenture    | [F]       | (25,917,912)  | (25,642,604)  | (26,387,849)  | (27,154,218)  | (27,942,299)  | (28,752,695)  |  |  |
| Funds Available to Pay Debt Service            | [G]=[C-F] | \$ 27,275,063 | \$ 32,465,800 | \$ 32,215,630 | \$ 33,194,522 | \$ 32,466,403 | \$ 33,588,175 |  |  |
| Debt Service                                   | [H]       | \$ 15,415,684 | \$ 15,420,787 | \$ 15,322,890 | \$ 15,283,662 | \$ 14,950,148 | \$ 13,803,009 |  |  |
| Debt Service Coverage Ratio                    | [I]=[G/H] | 1.77          | 2.11          | 2.10          | 2.17          | 2.17          | 2.43          |  |  |

(a) Includes PFC revenue which the Trustees have dedicated to pay an amount equal to 1.25 times principal of and/or interest on PFC-eligible Bonds and AIP Entitlement grants for Series 2012A Bonds.

(b) Includes CFC revenues, interest earnings, security reimbursements and other miscellaneous revenues.

(c) Section 7.1(b) of the Indenture requires that Dedicated Revenues plus Gross Revenues (including transfers) must equal at least the sum of (i) 1.25 times Debt Service due during the Fiscal Year; (ii) estimated and budgeted Operating Expenses during Fiscal Year; and (iii) the aggregate of deficiencies in any fund or account held under the Indenture.

Source: Tulsa Airports Improvement Trust: Budget; LeighFisher: Forecast.

## CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement, dated November 1, 2018 (the “Agreement”), by and between the Trustees of the Tulsa Airports Improvement Trust (the “Issuer”) and BOKF, National Association, as Bond Trustee (the “Bond Trustee”), under an Amended and Restated Bond Indenture, dated as of November 1, 2009, as supplemented and amended by a Nineteenth Supplemental Bond Indenture dated as of December 1, 2009 (collectively the Original Bond Indenture”), as further supplemented and amended, and as further supplemented by a Twenty-Eighth Supplemental Bond Indenture dated as of November 1, 2018 (the “Twenty-Eighth Supplemental Bond Indenture” and, together with the Original Bond Indenture, as supplemented and amended, the “Indenture”), each between the Issuer and the Bond Trustee, is executed and delivered in connection with the issuance of the Issuer’s \$19,825,000 principal amount of the Trustees of the Tulsa Airports Improvement Trust General Airport Revenue Bonds, Series 2018A (the “Bonds”).

Capitalized terms used in this Agreement which are not otherwise defined in the Indenture shall have the respective meanings specified above or in Article IV hereof. Pursuant to Section 6.2 of the Twenty-Eighth Supplemental Bond Indenture, the parties agree as follows:

## ARTICLE I

The Undertaking

SECTION 1.1. Purpose. This Agreement shall constitute a written undertaking for the benefit of the holders of the Bonds, and is being executed and delivered to assist the Underwriter in complying with subsection (b)(5) of the Rule.

SECTION 1.2. Annual Financial Information. (a) The Issuer shall provide or cause to be provided Annual Financial Information with respect to each Fiscal Year of the Issuer, commencing with its Fiscal Year ending June 30, 2019, by no later than December 31, 2019 and each December 31 thereafter to the MSRB. In addition, the Issuer shall provide or cause to be provided its Audited Financial Statements for Fiscal Year ending June 30, 2018 by no later than December 31, 2018 to the MSRB.

Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to EMMA, the current Internet Web Site of which is [www.emma.msrb.org](http://www.emma.msrb.org).

(b) The Issuer shall provide notice, in a timely manner, by a date not in excess of 10 Business Days after the occurrence of any failure of the Issuer to provide the Annual Financial Information by the dates specified in subsection (a) above to the MSRB.

SECTION 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2(a) hereof, the Issuer shall provide or cause to be provided Audited Financial Statements, when and if available, to the MSRB.

Unless otherwise required by the MSRB, all notices, documents and information provided to the MSRB shall be provided to EMMA.

SECTION 1.4. Material Event Notices. (a) If a Material Event occurs, the Issuer shall provide, or cause to be provided in a timely manner, not in excess of ten Business Days after the occurrence of the event, a notice of Material Event to (i) the MSRB and (ii) the Bond Trustee. Notwithstanding the foregoing, notice of optional or unscheduled redemption of any Bonds or defeasance of any Bonds need not be given under this Agreement any earlier than the notice (if any) of such redemption or defeasance is given to the owners of the Bonds pursuant to the Indenture.

(b) Upon any legal defeasance of Bonds, the Issuer shall provide notice of such defeasance to (i) the MSRB and (ii) the Bond Trustee, which notice shall state whether the Bonds have been defeased to maturity or to redemption and the timing of such maturity or redemption.

(c) The Bond Trustee shall promptly advise the Issuer whenever, in the course of performing its duties as Bond Trustee under the Indenture, the Bond Trustee has actual notice of an occurrence which, if material, would require the Issuer to provide a Material Event Notice hereunder; *provided, however*, that the failure of the Bond Trustee so to advise the Issuer shall not constitute a breach by the Bond Trustee of any of its duties and responsibilities under this Agreement or the Indenture.

SECTION 1.5. Obligations. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or Material Event Notice, in addition to that which is required by this Agreement. If the Issuer chooses to do so, the Issuer shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or Material Event Notice.

SECTION 1.6. Suspension of Obligations. Anything herein to the contrary notwithstanding, the obligations to file Annual Financial Information, Audited Financial Statements, Material Event Notices and additional information pursuant to Sections 1.2, 1.3, 1.4 and 1.5 hereof may be suspended for so long as the Bonds are eligible for exception from the requirements of the Rule pursuant to Section 15c2-12(d)(1)(iii) thereof, provided that notice of such suspension is filed promptly to the extent and in the manner that otherwise would be required for Annual Financial Information, Audited Financial Statements, Material Event Notices and such additional information.

SECTION 1.7. Additional Disclosure Obligations. The Issuer acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Issuer and that, under some circumstances, compliance with this Agreement without additional disclosures or other action may not fully discharge all duties and obligations of the Issuer under such laws.

SECTION 1.8. Previous Non-Compliance. During the past five years the Issuer failed to make timely filings of event notices relating to rating changes with respect to certain of its outstanding bonds based on a change in the ratings of bond insurers, and in certain instances an upgrade, the Issuer, to the best of its knowledge, not having been informed by the rating agencies of such actions, and a change in the rating of the Issuer. Notices of failure to file these event notices have been filed with the MSRB. The Issuer has instituted additional procedures designed to ensure that all such filings be made timely as required by all continuing disclosure undertakings in the future.

## ARTICLE II

### Operating Rules

SECTION 2.1. Reference to Other Filed Documents. It shall be sufficient for purposes of Section 1.2 hereof if the Issuer provides Annual Financial Information (but not Material Event Notices) by specific reference to documents (i) available to the public on the EMMA Internet Web Site or (2) filed with the SEC.

SECTION 2.2. Submission of Information. Annual Financial Information may be provided in one document or a set of documents, and at one time or in part from time to time.

SECTION 2.3. Material Event Notices. Each notice of a Material Event hereunder shall indicate that it is a notice of a Material Event and shall include the CUSIP number of the Issuer or the CUSIP numbers of the Bonds.

SECTION 2.4. Dissemination Agents. The Issuer may from time to time designate an agent to act on its behalf in providing or filing notices, documents and information as required by the Issuer under this Agreement, and revoke or modify any such designation. The Issuer has engaged FSC Disclosure Services, a division of Hilltop Securities, Inc., Dallas, Texas as dissemination agent under this Agreement to assist with future compliance in accordance with the terms of this Agreement.

SECTION 2.5. Transmission of Information and Notices. Unless otherwise required by law, notices, documents and information provided to the MSRB shall all be provided in an electronic format as prescribed by the MSRB (currently, portable document format (pdf) which must be word searchable except for non-textual elements) and shall be accompanied by identifying information as prescribed by the MSRB.

SECTION 2.6. Fiscal Year. (a) Annual Financial Information shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months. The Issuer's current Fiscal Year ends on June 30, and the Issuer shall promptly notify (i) the MSRB and (ii) the Bond Trustee of each change in its Fiscal Year.

(b) Annual Financial Information shall be provided at least annually notwithstanding any Fiscal Year longer than 12 calendar months.

### ARTICLE III

#### Effective Date; Termination; Amendment and Enforcement

SECTION 3.1. Effective Date; Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The obligations of the Issuer and the Bond Trustee under this Agreement shall terminate upon a legal defeasance pursuant to Article XI of the Indenture, prior redemption or payment in full of all of the Bonds.

(c) This Agreement, or any provision hereof, shall be null and void in the event that the Issuer (1) delivers to the Bond Trustee an opinion of Counsel, addressed to the Issuer and the Bond Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) delivers copies of such opinion to the MSRB.

SECTION 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) of this Section 3.2), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the Issuer or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule up to the date of such amendment, as well as any change in circumstances, (3) the Issuer shall have delivered to the Bond Trustee an opinion of Counsel, addressed to the Issuer and the Bond Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the Issuer shall have delivered to the Bond Trustee an opinion of Counsel or a determination by a person, in each case unaffiliated with the Issuer (such as bond counsel or the Bond Trustee) and acceptable to the Bond Trustee, addressed to the Issuer and the Bond Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Bonds; or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of Bonds pursuant to the Indenture as in effect at the time of the amendment, and (5) the Issuer shall have delivered copies of such opinion(s) and amendment to the MSRB.

(b) This Agreement may be amended and any provision of this Agreement may be waived, by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the

Rule is issued, after the effective date of this Agreement, which is applicable to this Agreement, (2) the Issuer shall have delivered to the Bond Trustee an opinion of Counsel, addressed to the Issuer and the Bond Trustee, to the effect that performance by the Issuer and the Bond Trustee under this Agreement as so amended or giving effect to such waiver, as the case may be, will not result in a violation of the Rule, and (3) the Issuer shall have delivered copies of such opinion and amendment to the MSRB.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change.

(d) If an amendment is made to the accounting principles to be followed in preparing financial statements, the Annual Financial Information for the Fiscal Year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information. Notice of such amendment shall be provided by the Issuer to the MSRB.

**SECTION 3.3. Benefit; Third-Party Beneficiaries; Enforcement.** (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of (i) the holders from time to time of the Bonds, except that (ii) the beneficial owners of Bonds shall be third-party beneficiaries of this Agreement. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a) and in subsection (b) of this Section.

(b) The obligations of the Issuer to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of Outstanding Bonds, or by the Bond Trustee on behalf of the holders of Outstanding Bonds; or (ii) in the case of challenges to the adequacy of financial statements, financial information and operating data so provided, by the Bond Trustee on behalf of the holders of Outstanding Bonds; *provided, however*, that the Bond Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than a majority in principal amount of the Bonds at the time Outstanding (determined in accordance with the provisions of Section 9.3 of the Indenture), who shall have provided the Bond Trustee with adequate security and indemnity satisfactory to the Bond Trustee. The holders' and Bond Trustee's rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the Issuer's obligations under this Agreement. In consideration of the third-party beneficiary status of beneficial owners of Bonds pursuant to subsection (a) of this Section, beneficial owners shall be deemed to be holders of bonds for purposes of this subsection (b).

(c) Any failure by the Issuer or the Bond Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Indenture, and the rights and remedies provided by the Indenture the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State of Oklahoma, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State of Oklahoma; *provided, however*, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

## ARTICLE IV

### Definitions

SECTION 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) “Annual Financial Information” means, collectively:

(i) the financial information and operating data with respect to the Issuer for each Fiscal Year of the Issuer of the type contained in the Official Statement under the following captions:

- “AUTHORITY AND SECURITY FOR THE 2018A BONDS”;
- “GROSS REVENUES”;
- “FUNDS NOT GROSS REVENUES”;
- “DESCRIPTION OF THE AIRPORTS AND PLANNED AIRPORT IMPROVEMENTS” “— Estimated 5-Year Cost of Airports Improvements (FY2019-FY2023)”;
- “OPERATING AND FINANCIAL STATISTICS” (including the tables “Summary of Overall Airport Activities”, “Average Daily Scheduled Flights”, and “Airline and Air Cargo Landed Weight” thereunder);
- “TULSA AIRPORTS IMPROVEMENT TRUST SUMMARY OF HISTORICAL REVENUES AND EXPENSES AND DEBT SERVICE COVERAGE”;
- “APPENDIX B: Audited Financial Statements of Tulsa Airports Improvement Trust as of June 30, 2017 and for the year then ended”;

and (ii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, when and if available, or Unaudited Financial Statements.

The descriptions contained in Section 4.1(1)(i) hereof of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it relates have been materially changed or discontinued, a statement to that effect may be provided in lieu of such financial information and operating data.

Nothing in this Agreement shall be deemed to impose any obligation on the Issuer to prepare or cause to be prepared audited financial statements to the extent audited financial statements of the Issuer are not required to be prepared under federal or State law as in effect from time to time.

(2) “Audited Financial Statements” means the annual financial statements, if any, of the Issuer, audited by such auditor as shall then be required or permitted by the State of Oklahoma or the Indenture. Audited Financial Statements shall be prepared in accordance with GAAP; *provided, however*, that the Issuer may from time to time, if required by federal or State legal requirements, modify the accounting principles to be followed in preparing its financial statements. The notice of any such modification required by Section 3.2(c) shall include a reference to the specific federal or State law or regulation describing such accounting principles.

(3) “Counsel” means nationally recognized bond counsel or counsel expert in federal securities laws.

(4) “EMMA” means the Electronic Municipal Market Access system for municipal securities disclosure or any other electronic format or system prescribed by the MSRB for purposes of the Rule.

(5) “GAAP” means generally accepted accounting principles as prescribed from time to time for governmental units by the Governmental Accounting Standards Board.

(6) “Material Event” means any of the following events with respect to the Bonds, whether relating to the Issuer or otherwise, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) with respect to the Bonds, 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;
- (vii) modifications to rights of Bondholders, if material;
- (viii) Bond calls, if material;
- (ix) defeasances;
- (x) release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) rating changes;
- (xii) tender offers;
- (xiii) bankruptcy, insolvency, receivership or similar event of the obligated person;
- (xiv) consummation of a merger, consolidation, or acquisition involving an obligated person, or the sale of all or substantially all the assets of the obligated person other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xv) appointment of a successor or additional trustee, or the change of name of a trustee, if material.

(7) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Agreement.

(8) “Official Statement” means a “final official statement”, as defined in paragraph (f)(3) of the Rule.

(9) "Rule" means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as amended, as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(10) "SEC" means the United States Securities and Exchange Commission.

(11) "State" means the State of Oklahoma.

(12) "Underwriter" means Stifel, Nicolaus & Company, Incorporated, as the representative of the underwriters and initial purchaser of the Bonds.

(13) "Unaudited Financial Statements" means the same as Audited Financial Statements, except that they shall not have been audited.

## ARTICLE V

### Miscellaneous

SECTION 5.1. Duties, Immunities and Liabilities of Bond Trustee. Article VI of the Indenture is hereby made applicable to this Agreement as if this Agreement were, solely for this purpose, contained in the Indenture.

SECTION 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives, all as of the date first above written.

TRUSTEES OF THE TULSA AIRPORTS  
IMPROVEMENT TRUST

By: \_\_\_\_\_  
Name: Jeff Stava  
Title: Chair

BOKF, NATIONAL ASSOCIATION

By: \_\_\_\_\_  
Name: Jennifer Monnot  
Title: Assistant Vice President

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**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100

Form 500NY (5/90)

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