

*In the opinion of K&L Gates LLP, Bond Counsel, assuming compliance with certain covenants of the Authority, interest on the 2016A Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the 2016A Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the 2016A Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. Interest on the 2016B Bonds is not excludable from gross income for federal income tax purposes. Interest on the 2016A Bonds and 2016B Bonds is exempt from Colorado income tax under laws of the State of Colorado in effect on the date of delivery of the Bonds. See "TAX MATTERS" herein.*



## Grand Junction Regional Airport Authority

**\$16,975,000**  
**General Airport Revenue and**  
**Refunding Bonds, 2016A**  
**(Non-AMT)**

**\$2,695,000**  
**General Airport Revenue and**  
**Refunding Bonds, 2016B**  
**(Taxable)**

**Dated:** Date of delivery

**Due:** As shown on inside cover page

The Grand Junction Regional Airport Authority, formerly known as the Walker Field, Colorado, Public Airport Authority (the "Authority") is issuing its General Airport Revenue and Refunding Bonds, 2016A (Non-AMT) (the "2016A Bonds") and its General Airport Revenue and Refunding Bonds, 2016B (Taxable) (the "2016B Bonds," and together with the 2016A Bonds, the "Bonds") to (i) refund certain outstanding Authority bonds, (ii) undertake certain capital projects at the Airport, and (iii) pay costs of issuing the Bonds.

Interest on the Bonds from their date of delivery is payable on each June 1 and December 1, commencing on June 1, 2017. U.S. Bank National Association is the registrar, authenticating agent and paying agent for the Bonds. When issued, the Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form, in denominations of \$5,000 and integral multiples thereof within a series and maturity. Purchasers will not receive certificates representing their interests in the Bonds, except as described herein. So long as DTC or its nominee is the registered owner of the Bonds, payments of principal of and interest on the Bonds will be made directly to DTC or to such nominee. Disbursements of such payments to DTC's Direct Participants are the responsibility of DTC, and disbursements of such payments to the Beneficial Owners are the responsibility of the Direct Participants and the Indirect Participants as more fully described herein.

---

### Maturity Dates, Principal Amounts, Interest Rates, Yields, Prices and CUSIP Numbers on Inside Cover

---

The Bonds are payable solely from and are secured by a pledge of Net Revenues of the Authority as defined and described herein. The Bonds and any outstanding and future revenue bonds issued on a parity of lien with the Bonds are referred to in this Official Statement as the "Parity Bonds." **The Bonds are not general obligations of the Authority or the State of Colorado or of any political subdivision of the State of Colorado. The Authority has no taxing power.**

Payment of the principal of and interest on the Bonds when due will be insured by financial guaranty insurance policies to be issued by National Public Finance Guarantee Corporation simultaneously with the delivery of the Bonds. See "BOND INSURANCE."



The Bonds are offered when, as and if issued, subject to receipt of the approving legal opinions of K&L Gates LLP, Seattle, Washington, Bond Counsel and Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Underwriter by its counsel, Stradling Yocca Carlson & Rauth, P.C., Denver, Colorado. It is expected that delivery of the Bonds will be made by *Fast Automated Securities Transfer* through DTC in New York, New York, on or about November 22, 2016.

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



**RBC Capital Markets**

**Grand Junction Regional Airport Authority**

**\$16,975,000**

**General Airport Revenue and Refunding Bonds, 2016A (Non-AMT)**

Due (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP** No.
2020	\$ 40,000	4.000%	1.720%	108.829	385785AA8
2021	735,000	4.000	1.920	109.917	385785AB6
2022	765,000	4.000	2.100	110.699	385785AC4
2023	795,000	5.000	2.340	117.138	385785AD2
2024	835,000	5.000	2.470	118.314	385785AE0
2025	880,000	5.000	2.600	119.195	385785AF7
2026	920,000	5.000	2.700	120.081	385785AG5
2027	965,000	5.000	2.800	119.113*	385785AH3
2028	1,015,000	5.000	2.920	117.963*	385785AJ9
2029	1,065,000	5.000	2.990	117.299*	385785AK6
2030	1,120,000	3.125	3.320	97.827	385785AL4
2031	1,155,000	5.000	3.120	116.076*	385785AM2
2032	1,215,000	5.000	3.190	115.424*	385785AN0
2033	1,275,000	5.000	3.250	114.869*	385785AP5
2034	1,335,000	5.000	3.300	114.409*	385785AQ3
2035	1,405,000	3.500	3.660	97.820	385785AR1
2036	1,455,000	3.500	3.680	97.464	385785AS9

**\$2,695,000**

**General Airport Revenue and Refunding Bonds, 2016B (Taxable)**

Due (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP** No.
2017	\$ 645,000	2.30%	2.30%	100	385785AT7
2018	680,000	2.55	2.55	100	385785AU4
2019	695,000	2.85	2.85	100	385785AV2
2020	675,000	3.10	3.10	100	385785AW0

\* Priced to the first optional call date of December 1, 2026.

\*\* CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2016 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the Underwriter or their agents or counsel assumes responsibility for the accuracy of such numbers.

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**BOARD OF COMMISSIONERS**

<b>Name</b>	<b>Office</b>	<b>Term Expires</b>
Steve Wood	Chairman	April 2019
Paul Nelson	Vice Chairman	June 2017
Troy Ball	Commissioner	March 2017
Rick Langley	Commissioner	April 2020
David Murray	Commissioner	May 2019
(vacant)	Commissioner	April 2017 <sup>1</sup>
Rick Taggart	Commissioner	Annual appointment

**CERTAIN EXECUTIVE STAFF**

Kip Turner, Airport Manager and Executive Director  
Ty Minnick, Finance Manager

Younge & Hockensmith, P.C., General Counsel

**AUTHORITY HEADQUARTERS**

2828 Walker Field Drive  
Grand Junction, Colorado 81506  
Telephone (970) 244-9100  
*www.gjairport.com\**

**BOND AND DISCLOSURE  
COUNSEL**

K&L Gates LLP  
Seattle, Washington

**BOND REGISTRAR**

U.S. Bank National Association

**INDEPENDENT AUDITORS**

Ehrhardt Keefe Steiner & Hoffman

<sup>1</sup> Commissioner Rick Wagner resigned effective October 7, 2016.

\* This inactive textual reference to the Authority's website is not a hyperlink, and the Authority's website, by this reference, is not incorporated herein.

(THIS PAGE INTENTIONALLY LEFT BLANK)

## TABLE OF CONTENTS

	Page		Page
INTRODUCTION.....	1	AIRPORT REVENUES.....	19
Security and Sources of Payment for Parity Bonds ....	1	Sources of Revenue.....	19
Subordinate Obligations.....	2	Passenger Airline Revenue .....	19
Other Obligations.....	2	Non-Passenger Airline Revenue .....	21
Continuing Disclosure .....	2	Non-Aeronautical Revenue.....	21
Audited Financial Statements .....	2	Non-Operating Revenue and (Expense).....	23
Investment Considerations.....	2	Budget Process.....	25
Miscellaneous .....	3	Budget Summary and Comparison .....	25
SOURCES AND USES OF BOND PROCEEDS.....	3	Financial Statements .....	27
Use of Proceeds .....	3	History of Authority Revenues and Expenditures.....	27
Projects .....	3	Regulation.....	27
Refunding Plan .....	3	CAPITAL PLAN FUNDING.....	28
Sources and Uses of Funds .....	4	Non-AIP Capital Improvements .....	28
DESCRIPTION OF THE BONDS.....	4	AIP Capital Improvements.....	28
General.....	4	Airport Operations .....	30
Optional Redemption.....	5	OTHER MATTERS.....	30
Partial Redemption; Notice of Redemption; Effect		Labor Relations.....	30
of Redemption .....	5	Pension Plans .....	30
Conditional Optional Redemption .....	5	INSURANCE.....	31
Purchase of Bonds for Retirement .....	5	General Overview .....	31
Defeasance.....	6	Property Insurance .....	31
FLOW OF FUNDS .....	6	Liability Insurance .....	31
SECURITY AND SOURCES OF PAYMENT		Third-Party Agreements.....	32
FOR PARITY BONDS .....	6	CERTAIN INVESTMENT CONSIDERATIONS.....	32
Pledge of Net Revenues .....	6	Uncertainties of the Aviation Industry .....	32
Common Reserve Fund for Covered Bonds .....	7	Aeronautical Revenues .....	33
Common Reserve Fund Surety Bond.....	8	Future Capital Projects.....	33
Rate Covenant.....	8	Other Agreements .....	33
Additional Parity Bonds.....	9	Limitation of Remedies.....	33
No Acceleration; Rights of Credit Facility Issuers ....	9	Bankruptcy; Dissolution .....	33
OUTSTANDING AUTHORITY		Laws and Regulation.....	34
INDEBTEDNESS .....	10	Federal Budget; Sequestration .....	34
Parity Bonds.....	10	Accounting Rules.....	35
Other Obligations.....	10	Continuing Compliance with Tax Covenants;	
Special Obligations .....	10	Changes of Law .....	35
Debt Payment Record .....	10	LITIGATION AND ADMINISTRATIVE	
Historical Debt Service Coverage.....	10	PROCEEDINGS.....	35
THE GRAND JUNCTION REGIONAL		No Litigation Concerning the Bonds .....	35
AIRPORT AUTHORITY .....	12	Other Litigation and Administrative Proceedings.....	35
Introduction.....	12	CONTINUING DISCLOSURE .....	35
Powers.....	12	TAX MATTERS .....	35
Governing Board.....	12	2016A Bonds .....	35
Conflict of Interest.....	13	2016B Bonds - Certain Federal Tax	
Administration and Employees.....	13	Consequences .....	37
GRAND JUNCTION REGIONAL AIRPORT .....	14	ERISA CONSIDERATIONS.....	38
Airport Tenants .....	14	BOND INSURANCE.....	39
Aircraft Operations .....	17	LEGAL MATTERS .....	41
Cargo Operations .....	18	RATINGS .....	41
Aircraft Rescue Firefighting (ARFF).....	18	THE REGISTRAR.....	42
Authority Hangars.....	18	UNDERWRITING.....	42
Rental Car Facilities.....	18	INDEPENDENT AUDITORS .....	42
Parking.....	19	MISCELLANEOUS.....	43
APPENDIX A — AUDITED FINANCIAL STATEMENTS			
APPENDIX B — FORMS OF BOND COUNSEL OPINIONS			
APPENDIX C — DTC AND ITS BOOK-ENTRY SYSTEM			
APPENDIX D — COPY OF THE BOND RESOLUTION			
APPENDIX E — FORM OF CONTINUING DISCLOSURE CERTIFICATE			
APPENDIX F — DEMOGRAPHIC AND ECONOMIC INFORMATION			
APPENDIX G — SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY			

No dealer, broker, sales representative or other person has been authorized by the Authority to give any information or to make any representations with respect to the Bonds, other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained by the Authority from Authority records and from other sources that are believed by the Authority to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority since the date hereof.

This Official Statement is not to be construed as a contract or agreement between the Authority and purchasers or owners of any of the Bonds.

Neither the Authority's independent auditors nor any other independent accountants have compiled, examined, or performed any additional procedures with respect to the financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and they assume no responsibility for, and disclaim any association with, the financial information.

The initial public offering prices or yields set forth on the inside cover page hereof may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers, unit investment trusts or money market funds at prices lower than or at yields higher than the public offering prices or yields stated on the inside cover pages hereof.

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

**Certain statements contained in this Official Statement, including the appendices, reflect not historical facts but forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, the words "estimate," "project," "anticipate," "expect," "intend," "forecast" and "believe" and similar expressions are intended to identify forward-looking statements. All projections, forecasts, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement. All forward-looking statements inherently are subject to a variety of risks and uncertainties that could cause actual results or performance to differ materially from those that have been forecast, estimated or projected. Such risks and uncertainties include, among others, changes in regional, domestic and international political, social and economic conditions, federal, state and local statutory and regulatory initiatives, litigation, population changes, financial conditions of tenants and/or other users of Authority, technological change and various other events, conditions and circumstances, many of which are beyond the control of the Authority.**

## OFFICIAL STATEMENT

### RELATING TO

### GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

**\$16,975,000**  
**General Airport Revenue and**  
**Refunding Bonds, 2016A**  
**(Non-AMT)**

**\$2,695,000**  
**General Airport Revenue and**  
**Refunding Bonds, 2016B**  
**(Taxable)**

### INTRODUCTION

The purpose of this Official Statement, which includes the cover page, inside cover pages, table of contents and appendices, is to provide information concerning the issuance by the Grand Junction Regional Airport Authority (the "Authority") of \$16,975,000 of its General Airport Revenue and Refunding Bonds, 2016A (Non-AMT) (the "2016A Bonds") and \$2,695,000 of its General Airport Revenue and Refunding Bonds, 2016B (Taxable) (the "2016B Bonds," and together with the 2016A Bonds, the "Bonds").

U.S. Bank National Association is the registrar, authenticating agent and paying agent (the "Registrar") for the Bonds.

The Authority is a political subdivision of the State of Colorado (the "State"), formed on March 24, 1971 and organized and existing under the terms of the Public Airport Authority Act of 1965, Section 41-3-101 et seq., Colorado Revised Statutes, as amended (the "Act"). The Bonds are being issued pursuant to an authorizing bond resolution (the "Bond Resolution") adopted by the Board of Commissioners of the Authority (the "Board") on October 20, 2016. See "THE GRAND JUNCTION REGIONAL AIRPORT AUTHORITY."

Capitalized terms used but not defined in this Official Statement have the meanings set forth in the Bond Resolution, a copy of which is included in this Official Statement as Appendix D.

Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

#### **Security and Sources of Payment for Parity Bonds**

The Bonds and any obligations issued in the future on a parity of lien with the Bonds ("Future Parity Bonds" and together with the Bonds, "Parity Bonds"). Upon their issuance, the Bonds will be the Authority's only outstanding Parity Bonds. Parity Bonds are payable solely from and are secured by a pledge of Net Revenues. As defined in the Bond Resolution, the term "Net Revenues" means "Gross Revenue" less any part thereof that must be used to pay "Operating Expenses." **Parity Bonds are not general obligations of the Authority or the State of Colorado or of any political subdivision of the State of Colorado. The Authority has no taxing power.**

As defined in the Bond Resolution, the term "Gross Revenue" all income and revenues derived directly or indirectly by the Authority from the ownership, use, and operation of the Airport, including but not limited to investment income on funds created hereunder, all rentals, fees, rates, and charges for the use of the Airport, or for any services rendered by the Authority in connection with or in the operation of the Airport, but excluding (1) the proceeds of any borrowing by the Authority and the earnings thereon (other than earnings on proceeds deposited in the Common Reserve Fund or any other reserve funds), (2) Customer Facility Charges, (3) passenger facility charges, head taxes, federal grants, State grants or substitutes therefor allocated to capital projects; (4) payments made under Credit Facilities issued to pay or secure the payment of a particular series of Parity Bonds; (5) proceeds of insurance or condemnation proceeds other than business interruption insurance; (6) income and revenue of the Authority separately pledged and used by it to pay and secure the payment of the principal of and interest on any issue or series of Special Revenue Bonds of the Authority issued to acquire, construct, equip, install or improve part or all of the particular facilities from which such income and revenue are derived, provided that nothing in this

subparagraph (6) shall permit the withdrawal from Gross Revenue of any income or revenue derived or to be derived by the Authority from any income producing facility which shall have been contributing to Gross Revenue prior to the issuance of such Special Revenue Parity Bonds; and (7) income from investments irrevocably pledged to the payment of bonds issued or to be refunded under any refunding bond plan of the Authority.

As defined in the Bond Resolution, the term “Operating Expenses” means the current expenses incurred for operation or maintenance of the Facilities (other than Special Facilities), as defined under generally accepted accounting principles, in effect from time to time, excluding any allowances for depreciation or amortization or interest on any obligations of the Authority incurred in connection with and payable from Gross Revenue.

The Authority has covenanted in the Bond Resolution not to issue any revenue bonds having a lien on Net Revenues prior to the lien of the Parity Bonds.

The Bond Resolution includes a number of covenants by the Authority for the benefit of the owners and holders of each of the Parity Bonds and conditions that must be satisfied before additional Parity Bonds, including the Bonds, may be issued. See “SECURITY AND SOURCES OF PAYMENT FOR PARITY BONDS — Rate Covenant,” SECURITY AND SOURCES OF PAYMENT FOR PARITY BONDS — Additional Parity Bonds,” and Section 21 of the Bond Resolution in Appendix D.

### **Subordinate Obligations**

The Bond Resolution permits the Authority to issue revenue obligations having a lien on Net Revenues subordinate to the lien thereon of Parity Bonds.

### **Other Obligations**

The Airport has additional loan with the Colorado State Infrastructure Bank outstanding as of August 31, 2016 of \$1,221,748 (“State Loan”), payable from and secured by On-airport Rental Car Facility Fee revenue (“Customer Facility Charges”). The proceeds of the State Loan were used to reconstruct the Rental Car Parking Lot.

### **Continuing Disclosure**

The Authority has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data and to give notices of certain events to assist the Underwriter in complying with the Securities and Exchange Commission Rule 15c2-12(b)(5). See “CONTINUING DISCLOSURE” and Appendix E.

### **Audited Financial Statements**

Neither the Authority’s independent auditors nor any other independent accountants have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

### **Investment Considerations**

The Bonds may not be suitable for all investors. Prospective purchasers of the Bonds should give careful consideration to the information set forth in this Official Statement and confer with their own tax and financial advisors before deciding whether to purchase the Bonds.

The Authority’s businesses are subject to a number of risk factors that may adversely affect the Authority’s Gross Revenue and Net Revenues. This Official Statement describes the Authority’s businesses and business environments, including certain risks, but it is impossible for the Authority to specify or anticipate all risks associated with its operations. See “CERTAIN INVESTMENT CONSIDERATIONS.” Investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

## Miscellaneous

Brief descriptions of the Bonds, the Bond Resolution and certain statutes and agreements are included in this Official Statement. Such descriptions do not purport to be comprehensive or definitive. All references herein to such instruments, documents and statutes and to any other documents, statutes, agreements or other instruments described herein are qualified in their entirety by reference to each such document, statute or other instrument. Appendix D includes a copy of the Bond Resolution.

## SOURCES AND USES OF BOND PROCEEDS

### Use of Proceeds

**2016A Bonds.** The 2016A Bonds are being issued by the Authority to (i) advance refund a portion of the Authority's outstanding Walker Field, Colorado, Public Airport Authority General Airport Revenue Bonds, Series 2007 (the "2007 Bonds"), (ii) undertake certain capital improvements to Authority facilities (hereinafter defined as the "Projects"), and (iii) pay costs of issuing the 2016A Bonds.

**2016B Bonds.** The 2016B Bonds are being issued by the Authority to (i) advance refund a portion of the 2007 Bonds, (ii) undertake certain Projects at the Airport, and (iii) pay costs of issuing the 2016B Bonds.

### Projects

The proceeds of the Bonds are anticipated to be used to undertake rehabilitation to the Airport Terminal Building and to undertake the relocation of the existing primary runway for the Airport.

### Refunding Plan

The Authority will refund all of the following bonds for aggregate debt service savings (the "Refunded Bonds") with a portion of the proceeds of the 2016A Bonds and the 2016B Bonds.

**Walker Field, Colorado, Public Airport Authority (Mesa County, Colorado)  
General Airport Revenue Bonds,  
Series 2007<sup>(1)</sup>**

<b>Maturity Date (December 1)</b>	<b>Interest Rate</b>	<b>Principal Amount</b>	<b>Redemption Date</b>	<b>Redemption Price</b>	<b>CUSIP Number</b>
2016	4.50%	\$ 875,000	N/A	N/A	931637CT7
2017	4.50	910,000	12/01/2017	100%	931637CU4
2022 <sup>(2)</sup>	5.00	5,270,000	12/01/2017	100	931637CV2
2027 <sup>(2)</sup>	4.75	6,705,000	12/01/2017	100	931637CW0
<b>TOTAL</b>		<b>\$ 13,760,000</b>			

<sup>(1)</sup> Callable at any time on and after December 1, 2017, in whole on any date, or in part on any interest payment date as determined by the Authority, at a redemption price equal to 100% of the principal amount thereof, plus interest accrued to the date fixed for redemption.

<sup>(2)</sup> Term Bonds

Source: Grand Junction Regional Airport Authority.

**Refunded Bonds.** The Authority will purchase certain direct non-callable United States Government Obligations ("Acquired Obligations") with a portion of the proceeds of the Bonds. These Acquired Obligations will be deposited in the custody of U.S. Bank National Association (the "Escrow Agent"). The maturing principal of the Acquired Obligations purchased with proceeds of the Bonds, interest earned thereon, and necessary cash balance, if any, will provide payment of interest on and the redemption price of the Refunded Bonds when due up to and including the redemption date, and on such redemption date the redemption price of the Refunded Bonds. The Acquired Obligations, interest earned thereon, and necessary cash balance, if any, will irrevocably be pledged to and held in trust for the benefit of the owners of the Refunded Bonds by the Escrow Agent, pursuant to an escrow deposit agreement to be executed by the Authority and the Escrow Agent.

Causey Demgen & Moore, P.C. (the “Verification Agent”) will verify the accuracy of the mathematical computations concerning the adequacy of the funds to be placed in the escrow account to pay on the redemption date, pursuant to the call for redemption, the principal of and interest on the Refunded Bonds. The verification will also confirm the mathematical computations supporting the conclusion of Bond Counsel that the 2016A Bonds are not “arbitrage bonds” as defined by Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”).

**Payment of Refunded Bonds.** Because all payments of principal of and interest on the Refunded Bonds will be provided for when the Bonds are issued, the Refunded Bonds will cease to be entitled to any lien, benefit or security of the resolution authorizing their issuance except the right to receive payment from the money held by the Escrow Agent.

## Sources and Uses of Funds

The proceeds of the Bonds are to be applied, together with other funds, as follows:

Sources	2016A Bonds	2016B Bonds	Total
Principal Amount	\$ 16,975,000	\$ 2,695,000	\$ 19,670,000
Net Original Issue Premium	2,015,252	—	2,015,252
Authority Contribution <sup>(1)</sup>	2,343,077	168,079	2,511,156
Total Sources	\$ 21,333,329	\$ 2,863,079	\$ 24,196,408
Uses			
Project Fund Deposit	\$ 7,172,805	\$ 1,827,195	\$ 9,000,000
Refunding Amount <sup>(2)</sup>	13,659,874	967,264	14,627,138
Costs of Issuance <sup>(3)</sup>	500,650	68,620	569,270
Total Uses	\$ 21,333,329	\$ 2,863,079	\$ 24,196,408

<sup>(1)</sup> Accrued interest on Refunded Bonds.

<sup>(2)</sup> To be applied to defease and redeem the Refunded Bonds as described above.

<sup>(3)</sup> Represents costs of issuing the Bonds, including Underwriter’s discount, premiums for bond insurance and reserve surety policies, legal fees, rating agency fees, Verification Agent fees, escrow fees and additional proceeds.

## DESCRIPTION OF THE BONDS

### General

**Bonds.** The Bonds are to be dated as of and are to bear interest from their date of delivery. Interest on the Bonds is to be payable on June 1, 2017 and semiannually on each June 1 and December 1 thereafter, at the rates set forth on the inside cover pages of this Official Statement. The Bonds are to mature, subject to prior redemption, in the amounts and on the dates set forth on the inside cover pages of this Official Statement. Interest is to be calculated on the basis of a 360-day year consisting of twelve 30-day months.

**Book-Entry Only Form.** The Bonds are being issued in fully registered form in denominations of \$5,000 and integral multiples thereof within a series and maturity and when issued will be registered in the name of Cede & Co. (or such other name as may be requested by an authorized representative of DTC), as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Individual purchases may be made only in book-entry form. Purchasers will not receive certificates representing their interest in the Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to “Owners,” “Bondholders” or “Registered Owners” mean Cede & Co. (or such other nominee) and not the Beneficial Owners of the Bonds. In this Official Statement, the term “Beneficial Owner” means the person for whom its DTC Participant acquires an interest in the Bonds.

So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds are payable by wire transfer to Cede & Co., as nominee for DTC which, in turn, is to remit such amounts to the Direct Participants for subsequent disbursement to the Beneficial Owners. See “DTC AND ITS BOOK-ENTRY SYSTEM” in Appendix C.

## **Optional Redemption**

**2016A Bonds.** The 2016A Bonds maturing on or after December 1, 2027 are subject to redemption at the option of the Authority on or after December 1, 2026, as a whole or in part on any date, with the maturities to be selected by the Authority (and within a maturity in accordance with the operational procedures of DTC then in effect or, if the 2016A Bonds are no longer held in book-entry-only form, by lot or in such other random manner determined by the Registrar, as provided in the Bond Resolution), at a redemption price equal to 100 percent of the principal amount thereof, plus interest accrued to the date fixed for redemption.

**2016B Bonds.** The 2016B Bonds are not subject to optional redemption prior to their scheduled maturity.

## **Partial Redemption; Notice of Redemption; Effect of Redemption**

The Bond Resolution provides that for so long as the Bonds are held in book-entry form with DTC, the selection for redemption of such Bonds within a series and maturity shall be made in accordance with the operational arrangements of DTC then in effect. See “DTC AND ITS BOOK-ENTRY SYSTEM” in Appendix C. Bonds within a series and maturity to be redeemed are to be selected in all cases in accordance with the operational arrangements of DTC in increments of \$5,000 within a series and maturity.

The Bond Resolution also provides that, unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which notice in the case of optional redemption shall state that such redemption is conditioned upon the receipt by the Registrar of sufficient funds for redemption) shall be given by the Registrar on behalf of the Authority by mailing a copy of an official redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Registrar (which shall be DTC so long as such Bonds are held in book-entry form with DTC). The Bond Resolution provides that the requirement to give notice of redemption shall be deemed complied with when notice is mailed to the Registered Owners at their last addresses shown on the Bond Register, whether or not such notice is actually received by the Registered Owners. The Bond Resolution also provides that so long as the Bonds are in book-entry form with DTC, notice of redemption shall be given to Beneficial Owners of Bonds (or portions thereof) to be redeemed in accordance with the operational arrangements then in effect at DTC and that neither the Authority nor the Registrar shall be obligated or responsible to confirm that any notice of redemption is, in fact, provided to Beneficial Owners.

Unless the Authority has revoked a conditional notice of optional redemption (or unless the Authority provided a conditional notice of optional redemption and the conditions for the optional redemption set forth therein are not satisfied), the Authority shall transfer to the Registrar amounts that, in addition to other money, if any, held by the Registrar for such purpose, will be sufficient to redeem, on the date fixed for redemption, all of the Bonds to be redeemed. If and to the extent that funds have been provided to the Registrar for the optional redemption of Bonds, then from and after the date fixed for redemption for such Bond or portion thereof, interest on each such Bond shall cease to accrue and such Bond or portion thereof shall cease to be Outstanding.

## **Conditional Optional Redemption**

The Bond Resolution permits notices of optional redemption to be conditional. If conditional, the notice is to state that redemption is conditioned upon the receipt by the Registrar of sufficient funds for redemption and upon satisfaction of any other condition. If and to the extent that funds have been provided to the Registrar for the redemption of Bonds (and if any other condition has been satisfied) then from and after the date fixed for redemption for such Bond or portion thereof, interest on each such Bond shall cease to accrue and such Bond or portion thereof shall cease to be Outstanding.

## **Purchase of Bonds for Retirement**

The Authority has reserved the right to use at any time any surplus Gross Revenue available after providing for the payments required by paragraphs *First* through *Fourth* of the priority for use of Gross Revenue as described in “FLOW OF FUNDS,” to purchase for retirement any of the Bonds offered to the Authority at any price deemed reasonable by the Designated Authority Representative. See Appendix D — Form of Bond Resolution.

## **Defeasance**

The Bond Resolution provides that in the event money and/or non-callable Government Obligations maturing or having guaranteed redemption prices at the option of the owner thereof at such time or times and bearing interest in amounts (together with such money, if any) sufficient to redeem and retire part or all of the Bonds in accordance with their terms are irrevocably set aside in a special account and pledged to effect such redemption or retirement, and if the Bonds (or portion thereof) are to be redeemed prior to maturity, irrevocable notice, or irrevocable instructions to give notice of such redemption, has been delivered to the Registrar, then no further payments need be made to the Bond Fund or any account therein for the payment of the principal of and premium, if any, and interest on the Bonds (so provided for) and such Bonds shall cease to be entitled to any lien, benefit or security of the Bond Resolution, except the right to receive the funds so set aside and pledged and such notices of redemption, if any, and such Bonds shall no longer be deemed to be outstanding under the Resolution or under any resolution authorizing the issuance of bonds or other indebtedness of the Authority.

If the Authority defeases any 2016B Bonds, such 2016B Bonds may be deemed to be retired and “reissued” for federal income tax purposes as a result of the defeasance. In such event, the owner of a 2016B Bond would recognize a gain or loss on the 2016B Bond at the time of defeasance. See “TAX MATTERS — 2016B Bonds - Certain Federal Tax Consequences.”

## **FLOW OF FUNDS**

Pursuant to the Bond Resolution, all Gross Revenue must be deposited as collected in the Revenue Fund, a separate fund or funds held by the Treasurer. The Revenue Fund must be held separate and apart from all other funds and accounts of the Authority. As required by the Bond Resolution, Gross Revenue deposited in the Revenue Fund is to be applied by the Authority as follows:

*First*, to pay Operating Expenses not paid from other sources;

*Second*, to make all payments, including sinking fund payments, required to be made into the debt service account(s) of any redemption fund to pay the principal of and premium, if any, and interest on any Parity Bonds, including the Parity Bonds;

*Third*, to make all payments required to be made into the Common Reserve Fund and all other reserve account(s) established to secure the payment of any Parity Bonds (including the Bonds);

*Fourth*, to make all payments required to be made into any other revenue bond redemption fund and debt service account or reserve account created therein to pay and secure the payment of the principal of and interest on any revenue bonds or other revenue obligations of the Authority having a lien upon Net Revenues and the money in the Revenue Fund junior and inferior to the lien thereon for the payment of the principal of and interest on any Parity Bonds; and

*Fifth*, to retire by redemption or purchase any outstanding revenue bonds or other revenue obligations of the Authority as authorized in the various resolutions of the Board authorizing their issuance or to make necessary additions, betterments, improvements and repairs to or extension and replacements of the Facilities or any other lawful Authority purposes.

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

### **Pledge of Net Revenues**

The Bonds, together with all other Parity Bonds, are revenue obligations of the Authority payable from and secured solely by a pledge of Net Revenues. The Bond Resolution provides that all bonds authorized under future resolutions in accordance with the Bond Resolution shall be Parity Bonds having an equal lien and charge upon the Net Revenues of the Authority and that each series of Parity Bonds shall be obligations of the special funds established in the resolution authorizing their issuance and, for Covered Bonds, the Common Reserve Fund. See “— Common Reserve Fund for Covered Bonds” below. As provided in the Bond Resolution, the amounts pledged to be paid into the Bond Fund are declared to be a prior lien and charge upon Gross Revenue superior to all

other charges of any kind or nature whatsoever except for Operating Expenses and except for charges equal in rank that have been or may be made to pay and secure the payment of the principal of and interest on Parity Bonds issued under a future resolution in accordance with the Bond Resolution.

In the Bond Resolution, the Authority irrevocably obligates and binds itself for so long as any Parity Bonds remain Outstanding to set aside and to pay into the Bond Fund from Net Revenues or money in the Revenue Fund, on or prior to the respective dates on which the same become due the principal of and premium, if any, and interest on Parity Bonds.

In the Bond Resolution, the Authority designates the Bonds as Covered Bonds and provides that the Bonds are obligations only of the Bond Fund and the Common Reserve Fund. See “— Common Reserve Fund for Covered Bonds.”

If and to the extent specified in a series resolution authorizing additional Parity Bonds, the obligation of the Authority to reimburse the provider of a Credit Facility (a “Repayment Obligation”) also may be secured by a pledge of and lien on Net Revenues on a parity with other outstanding Parity Bonds.

The Bond Resolution does not require the Authority to make deposits into the bond funds for Parity Bonds prior to the date on which the principal of and interest on such Parity Bonds comes due. See “FLOW OF FUNDS.”

### **Common Reserve Fund for Covered Bonds**

The Bond Resolution does not require that a debt service reserve fund be created for each series of Parity Bonds and does not require that any minimum amount be deposited to a reserve fund for Parity Bonds. At the option of the Authority, Parity Bonds may be secured by the Common Reserve Fund or may be secured by a separate reserve fund authorized by a separate resolution. The Bonds have been designated in the Bond Resolution as Covered Bonds and secured by the Common Reserve Fund.

The Common Reserve Fund Requirement means a dollar amount equal to the lesser of (i) Maximum Annual Debt Service on all Outstanding Covered Bonds, and (ii) the Tax Maximum for all Outstanding Covered Bonds, determined and calculated as of the date of issuance of each series of Covered Bonds (and recalculated upon the issuance of a subsequent series of Covered Bonds and also, at the Authority’s option, upon the payment of principal of Covered Bonds). The term “Covered Bonds” means the Bonds and any Parity Bonds designated in the future as Covered Bonds secured by the Common Reserve Fund. The term Tax Maximum means the maximum dollar amount permitted by the Internal Revenue Code of 1986, as amended, including applicable regulations thereunder, to be allocated to a bond reserve account from bond proceeds without requiring a balance to be invested at a restricted yield. See Section 1 of the Bond Resolution and Article 1 for definitions of “Debt Service,” “Annual Debt Service” and “Maximum Annual Debt Service” in Appendix D.

After the issuance of the Bonds, the Common Reserve Fund Requirement will be \$1,508,416.44. On the date of issuance, the Authority will purchase a surety bond from National Public Finance Guarantee Corporation in the amount sufficient to satisfy the entire Common Reserve Fund Requirement.

The Bond Resolution permits the Authority to substitute a Qualified Letter of Credit, Qualified Insurance, or a combination of both for all or a portion of the cash and securities then on deposit in the Common Reserve Fund and to transfer such cash and securities to any permitted fund or account specified by the Designated Authority Representative. See Section 9 of the Bond Resolution and the definitions of “Qualified Letter of Credit” and “Qualified Insurance” in Appendix D.

The Bond Resolution provides that if a deficiency in any bond fund for a series of Covered Bonds shall occur immediately prior to an interest payment date, such deficiency shall be made up from the cash or securities on deposit in the Common Reserve Fund, and that if a deficiency still exists, the Authority shall draw on any Qualified Letter of Credit or Qualified Insurance then credited to the Common Reserve Fund. If the amount in the Common Reserve Fund is insufficient to make up all deficiencies in the bond fund(s) for all Covered Bonds coming due on a Covered Bond payment date, the deficiencies shall be made up on a *pro rata* basis based on the principal, if any, and interest payments coming due on Covered Bonds on such interest payment date. Any deficiency created in the Common Reserve Fund by reason of a withdrawal to make up a deficiency in any bond fund for a series of Covered

Bonds shall be made up within one year, from Qualified Insurance or a Qualified Letter of Credit or out of Net Revenues (or out of any other moneys on hand legally available for such purpose), in 12 equal monthly installments, after first making necessary provision for all payments required to be made into the bond funds for Parity Bonds within such year. In the event a surety bond or a letter of credit is terminated or no longer is Qualified Insurance or a Qualified Letter of Credit because of the insolvency or incapacity of the provider, the Common Reserve Fund Requirement shall be satisfied (a) within one year after the termination, insolvency, or incapacity, with other Qualified Insurance or another Qualified Letter of Credit, or (b) within three years (in three equal annual installments) after the termination, insolvency, or incapacity, out of Net Revenues (or out of other money on hand and legally available for such purpose). See “FLOW OF FUNDS” and Section 7 of the Bond Resolution in Appendix D.

### **Common Reserve Fund Surety Bond**

National Public Finance Guarantee Corporation (“National”) has issued a commitment to issue a surety bond (the “Debt Service Reserve Fund Surety Bond”) to satisfy the Common Reserve Fund Requirement. The Debt Service Reserve Fund Surety Bond provides that upon notice from the Authority to National to the effect that insufficient amounts are on deposit in the Debt Service Fund to pay the principal of (at maturity or pursuant to mandatory redemption requirements) and interest on the Bonds, National will promptly deposit with the Registrar an amount sufficient to pay the principal of and interest on the Bonds or the available amount of the Debt Service Reserve Fund Surety Bond, whichever is less. Upon the later of: (i) three (3) days after receipt by National of a Demand for Payment in the form attached to the Debt Service Reserve Fund Surety Bond, duly executed by the Authority; or (ii) the payment date of the Bonds as specified in the Demand for Payment presented by the Authority to National, National will make a deposit of funds in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment to the Registrar, of amounts which are then due to the Registrar (as specified in the Demand for Payment) subject to the Surety Bond Coverage (as defined in the Debt Service Reserve Fund Surety Bond).

The available amount of the Debt Service Reserve Fund Surety Bond is the initial face amount of the Debt Service Reserve Fund Surety Bond less the amount of any previous deposits by National with the Registrar which have not been reimbursed by the Authority. The Authority and National will enter into a Financial Guaranty Agreement dated November 22, 2016 (the “Agreement”). Pursuant to the Agreement, the Authority is required to reimburse National, with interest, within one year of any deposit, the amount of such deposit made by National with the Registrar under the Debt Service Reserve Fund Surety Bond.

No optional redemption of Bonds may be made until the Authority’s Debt Service Reserve Fund Surety Bond is reinstated. The Debt Service Reserve Fund Surety Bond is held by the Authority in the Debt Service Reserve Fund and is provided as an alternative to the Authority depositing funds equal to the Common Reserve Fund Requirement for outstanding Covered Bonds.

### **Rate Covenant**

Under the Bond Resolution, the Authority has covenanted with the owners and holders of each of the Parity Bonds for so long as any of the same remain Outstanding that it will at all times establish, maintain and collect rentals, tariffs, rates, fees and charges in the operation of all its business that will produce Net Revenues in each fiscal year at least equal to the greater of (i) 125 percent of the amounts required in such fiscal year to be paid as scheduled debt service (principal and interest) on Outstanding Parity Bonds, or (ii) amounts required to be deposited during such fiscal year from Net Revenues into the bond funds and reserve funds established for Outstanding Parity Bonds and into the Repair and Renewal Fund, but excluding payments made from refunding debt, capitalized debt service and Debt Service Offsets (the “Rate Covenant”). Debt Service Offsets are receipts of the Authority that are not included in Gross Revenue, e.g., passenger facility charges, and that are legally available and/or pledged by the Authority to pay debt service on Parity Bonds. See Section 11(a) of the Bond Resolution in Appendix D.

The Bond Resolution provides that if the Net Revenues in any fiscal year are less than required to fulfill the Rate Covenant, then the Authority will retain a Consultant (as defined in the Bond Resolution) to make recommendations as to operations and the revision of schedules of rentals, tariffs, rates, fees and charges; and upon receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Board, on the basis of such recommendations and other available information, will establish rentals, tariffs, rates, fees and charges for

services and operations which will be necessary to meet the Rate Covenant in the fiscal year during which such adjustments are made. The Bond Resolution further provides that if the Board has taken the steps set forth in the Bond Resolution and the Net Revenues in the fiscal year in which adjustments are made nevertheless are not sufficient to meet the Rate Covenant, there shall be no default under the Bond Resolution during such fiscal year, unless the Authority fails to meet the Rate Covenant for two consecutive fiscal years. The Authority would continue to be obligated to pay debt service regardless of the retention of a Consultant.

Under the Bond Resolution, the Authority also has covenanted not to construct, operate or enter into any agreement permitting or facilitating the construction or operation of any facilities that will compete with the operations of the Authority in a manner that will materially and adversely affect the ability of the Authority to comply with the Rate Covenant. See Section 11(a) of the Bond Resolution in Appendix D.

### **Additional Parity Bonds**

The Bond Resolution provides that the Authority may issue bonds, having a lien and charge upon the Net Revenues equal to that of the Bonds if (i) the Authority has not been in default of the Rate Covenant for the immediately preceding fiscal year, and (ii) a certificate prepared by either a Consultant or the Authority is filed demonstrating fulfillment of the Coverage Requirement (described below) commencing with the first full fiscal year following the earlier of (a) the Date of Commercial Operation of the Facilities to be financed with the proceeds of the additional Parity Bonds, or (b) the date on which any portion of interest on the additional Parity Bonds then being issued will no longer be paid from the proceeds of such additional Parity Bonds.

As defined in the Bond Resolution, "Coverage Requirement" means Net Revenues equal to or greater than 125 percent of Aggregate Annual Debt Service. See Section 1 of the Bond Resolution in Appendix D for the definition of "Debt Service," "Annual Debt Service," and "Aggregate Annual Debt Service."

Net Revenues are to be based upon the financial statements of the Authority for the Base Period (described below), in the case of a certificate filed by the Authority, and upon Net Revenues for the Base Period with such adjustments as the Consultant deems reasonable, in the case of a certificate filed by a Consultant. The "Date of Commercial Operation" means the date on which the Facilities are first ready for normal continuous operation, or if portions of the Facilities are placed in normal continuous operation at different times, the midpoint of the dates of continuous operation of all portions of such Facilities, as estimated by the Authority, or if used with reference to Facilities to be acquired, the date on which such acquisition is final. "Base Period" means any consecutive 12-month period selected by the Authority out of the 30-month period next preceding the date the additional Parity Bonds are issued.

Under the Bond Resolution, additional Parity Bonds also may be issued without satisfying the requirements described above for (i) refunding purposes under certain conditions, or (ii) paying Costs of Construction for Facilities for which Parity Bonds have been issued previously if the principal amount of the additional Parity Bonds being issued for completion purposes does not exceed an amount equal to an aggregate of 15 percent of the principal amount of Parity Bonds theretofore issued for such Facilities and reasonably allocable to the Facilities to be completed (as shown in a written certificate of a Designated Authority Representative) and if a Consultant's certificate is delivered stating that the nature and purpose of the Facilities has not changed materially. The Bond Resolution permits the Authority to issue refunding Parity Bonds without satisfying the requirements described above if the Maximum Annual Debt Service to be outstanding after the issuance of the refunding Parity Bonds will not be greater than Maximum Annual Debt Service were such refunding not to occur. See Sections 1 and 21 of the Bond Resolution in Appendix D.

### **No Acceleration; Rights of Credit Facility Issuers**

The Bond Resolution does not provide for acceleration of the maturity of the Parity Bonds upon the occurrence and continuance of a Default (as defined in the Bond Resolution or in the relevant first lien series resolution). Payments of debt service on Parity Bonds are required to be made only as they become due. In the event of multiple defaults in payment of principal or interest on the Bonds, the Bond owners would be required to bring a separate action for each such payment not made. Any such action to compel payment or for money damages would be subject to the limitations on legal claims and remedies. See Section 13 of the Bond Resolution in Appendix D.

As permitted by the Bond Resolution, a future resolution may provide that if the issuer of a Credit Facility that is not solely a liquidity facility is issued for Parity Bonds, the issuer of the Credit Facility shall be deemed to be the sole owner of such insured Parity Bonds for the purpose of granting consents and exercising voting rights with respect thereto and for any other purpose accepted by the Authority as a condition of issuance of the facility, except for amendments that alter the interest rate on such Parity Bonds or their maturity date(s) or redemption terms or principal amounts. See Section 23 of the Bond Resolution.

## **OUTSTANDING AUTHORITY INDEBTEDNESS**

### **Parity Bonds**

As of August 31, 2016, the Authority had outstanding \$13,760,000 Walker Field, Colorado, Public Airport Authority General Airport Revenue Bonds, Series 2007A (Non-AMT). All of the 2007 Bonds will be defeased or advance refunded with the proceeds of the Bonds, and a contribution from the Authority.

### **Other Obligations**

The Airport also has additional loan with the Colorado State Infrastructure Bank (“State Loan”) outstanding as of August 31, 2016 of \$1,221,748, payable from and secured by Customer Facility Charges. The proceeds of the State Loan were used to reconstruct the Rental Car Parking Lot.

### **Special Obligations**

From time to time, the Authority may issue revenue bonds, revenue warrants or other revenue obligations for the purpose of undertaking any project, the debt service on which is to be payable from and secured solely by the revenues derived from such project (the “Special Revenue Bonds”). Revenues received from such projects are not Gross Revenue, and Special Revenue Bonds are not entitled to a lien on Gross Revenue on any basis, senior or junior, and are not payable from such Gross Revenue or any other revenues of the Authority (other than the revenues derived from the project financed with the Special Revenue Bonds).

### **Debt Payment Record**

The Authority has never defaulted on the payment of principal or interest on any of its bonds or other debt.

### **Historical Debt Service Coverage**

The following table shows historical debt service coverage (based on Gross Revenue) for the years 2011 through 2015 on outstanding Parity Bonds calculated in conformity with the resolution authorizing the issuance of the resolution authorizing the issuance of the 2007 Bonds. The Bond Resolution requires that debt service coverage in the future will be based on Net Revenues coverage.

**TABLE 1**  
**HISTORICAL DEBT SERVICE COVERAGE (BASED ON GROSS REVENUE)**  
**FOR THE YEARS ENDED DECEMBER 31**

<b>Fiscal Year</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Gross operating revenue	\$ 6,301,333	\$ 6,444,402	\$ 6,309,868	\$ 6,550,426	\$ 6,400,317
Gross PFC revenue	896,861	888,622	911,917	897,805	874,101
Total revenue available for debt service	7,198,194	7,333,024	7,221,785	7,448,231	7,274,418
2007 Bonds debt service	1,536,848	1,536,533	1,539,193	1,535,315	1,540,122
Debt service coverage	4.68x	4.77x	4.69x	4.85x	4.72x

Source: Grand Junction Regional Airport Authority.

**TABLE 2**  
**REVENUE BOND DEBT SERVICE**

<b>Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Bond Debt Service<sup>(1)</sup></b>
2016	\$ —	\$ —	\$ —
2017	645,000	863,416	1,508,416
2018	680,000	827,523	1,507,523
2019	695,000	810,183	1,505,183
2020	715,000	790,375	1,505,375
2021	735,000	767,850	1,502,850
2022	765,000	738,450	1,503,450
2023	795,000	707,850	1,502,850
2024	835,000	668,100	1,503,100
2025	880,000	626,350	1,506,350
2026	920,000	582,350	1,502,350
2027	965,000	536,350	1,501,350
2028	1,015,000	488,100	1,503,100
2029	1,065,000	437,350	1,502,350
2030	1,120,000	384,100	1,504,100
2031	1,155,000	349,100	1,504,100
2032	1,215,000	291,350	1,506,350
2033	1,275,000	230,600	1,505,600
2034	1,335,000	166,850	1,501,850
2035	1,405,000	100,100	1,505,100
2036	1,455,000	50,925	1,505,925
<b>TOTAL:</b>	<b>\$ 19,670,000</b>	<b>\$ 10,417,271</b>	<b>\$ 30,087,271</b>

Note: Totals may not add due to rounding.

<sup>(1)</sup> Excludes the Refunded Bonds.

Source: Grand Junction Regional Airport Authority.

## **THE GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

### **Introduction**

The Authority is a political subdivision of the State of Colorado, established pursuant to the provisions the Public Airport Authority Act of 1965, Title 41, Article 3, C.R.S., as amended (the “Act”), on March 24, 1971 by Mesa County and the City (the “Members”), for the purpose of acquiring and improving the existing Airport and air navigation facilities at Walker Field. Walker Field had been operated first as a project of the City, and subsequently was the subject of joint City of Grand Junction (the “City”) and Mesa County (the “County”) improvements. The Act permits dissolution of the Authority by similar action of its members, but only after adequate provisions are made for the payment of outstanding bonds of the Authority.

The Airport, located within the City, in the County, now provides commercial air service to a population of approximately 196,000 living in an area encompassing approximately 18,000 square miles in western Colorado and eastern Utah. Scheduled airline and air taxi service, military operations, general aviation, cargo operations, and recreational use are the major aviation activities at the Airport.

Effective May 2007, the Board approved the airport name change from “Walker Field” to “Grand Junction Regional Airport.” In addition, the Authority’s name was changed from “Walker Field, Colorado, Public Airport Authority” to “Grand Junction Regional Airport Authority.”

### **Powers**

The Authority’s powers are set forth in the Act and in the Amended By-Laws as adopted by the Authority. The Authority’s powers include the following: (a) perpetual existence; (b) to have and use a corporate seal; (c) to sue and be sued and to be a party to such actions, and proceedings; (d) to enter into contracts and agreements regarding the affairs of the Authority; (e) to borrow money and issue bonds payable in whole or in part from the income of the Authority and otherwise secured to the extent permitted by law; (f) to purchase, trade, acquire, buy, sell, and otherwise dispose of and encumber real and personal property of the Authority; (g) to refund any bonds of the Authority; (h) to regulate, when acting singly, or by agreement, when acting jointly with any other municipality or county, the receiving, deposit, and removal and the embarkation of passengers or property to or from the Airport; to regulate or prohibit any Airport hazard; to set and require payment of charges and fees together with a lien to enforce payment; to provide rules and regulations governing the use of facilities and property; to perform duties necessary with the regulation of air traffic; (i) to pledge the income of the Authority to the payment of bonds and to otherwise secure the payment of such bonds as permitted by law; (j) to have and exercise the power of eminent domain as provided by law; (k) to construct, establish, and maintain facilities as prescribed by statute; and (l) to invest surplus moneys, including such money in any sinking fund or trust fund established for the purpose of retiring bonds, but not required for the immediate necessities of the Authority, in securities meeting the investment under State law.

### **Governing Board**

The governing board of the Authority is known as the Board of Commissioners (the “Commissioners” or “Airport Board”). All powers, privileges, and duties vested in or imposed upon the Authority are exercised and performed by and through the Airport Board except as otherwise provided by law; however, the exercise of executive, administrative, and ministerial powers may be delegated by the Airport Board. The Airport Board has seven members who serve 4-year terms of office. The County Commissioners appoint three members of the Airport Board, only one of whom may be a County Commissioner. The members of the Airport Board appointed by the County Commissioners must be residents and taxpaying electors of the County as defined by Colorado law. The City Council appoints three members of the Airport Board, only one of whom may be a member of the City Council. The members of the Airport Board appointed by the City Council must be residents and taxpaying electors of the City. The seventh member of the Airport Board is appointed by the remaining six members of the Airport Board with the concurrence of the County Commissioners and the City Council. Members of the Airport Board receive no compensation for their services. Regular meetings of the Airport Board are held on the third Tuesday of each month and special meetings are held as needed.

Each commissioner serves a four (4) year term, with a limit of two (2) full consecutive terms. The present commissioners, their type of appointment, principal occupation and length of service to the Authority is set forth below.

<b>Commissioner</b>	<b>Type of Appointment</b>	<b>Office</b>	<b>Term Ends</b>
Steve Wood	County	Chairman	April 2019
David Murray	City	Commissioner	May 2019
(vacant)	County	Commissioner	April 2017 <sup>1</sup>
Paul Nelson	City	Vice Chairman	June 2017
Rich Taggart	City Council Rep.	Commissioner	Appointed Annually
Rick Langley	County	Commissioner	April 2020
Troy Ball	At Large	Commissioner	March 2017

### **Conflict of Interest**

Pursuant to state law, Commissioners cannot be interested in any contract made by them in their official capacity or by the Airport Board unless, among other things, (i) the contract is awarded to the lowest responsible bidder based upon competitive procedures or (ii) the Commissioner has disclosed such interest and (a) has not voted thereon or (b) has voted thereon in accordance with certain statutory requirements. Further, Commissioners may not be purchasers at any sale or vendors at any purchase made by them in their official capacity. Every contract made in violation of said laws is voidable at the instance of any party to the contract except the Commissioner interested therein. Additional state laws require Commissioners to disclose to the Airport Board potential conflicts of interest or personal or private interests which are proposed or pending before the Airport Board. According to affidavits executed by each commissioner prior to taking any official action relating to the Bonds, none of the Commissioners have a potential or existing personal or private interest relating to the issuance or delivery of the Bonds or the expenditure of the proceeds thereof.

### **Administration and Employees**

The Commissioners are responsible for the overall management and administration of the Authority. The Airport Manager and the twenty-seven (27) staff members employed by the Authority are responsible for the administration, operation, and maintenance of the Airport.

**Executive Director.** Kip Turner, a certified member of the American Association of Airport Executives, is an airport and aviation management professional with more than two decades of experience in airport management and development. Mr. Turner holds a Bachelor of Aviation Management from Auburn University and has been a licensed pilot for over 30 years.

Mr. Turner's more recent experience prior to his current role at the Airport include serving as the Director of Aviation for the Durango La Plata County Airport, Aeronautics Specialist/Airport Manager with the Alabama Department of Transportation Aeronautics Bureau, and former Deputy Director/Director of Operations of Northwest Florida Beaches International Airport in Panama City, Florida, where he was part of the team that built the first new post 9/11 commercial airport in the country.

**Finance and Accounting Manager.** Ty Minnick is the Finance Manager for the Grand Junction Regional Airport Authority, joining the staff in 2014. Mr. Minnick is a Certified Public Accountant with over 20 years accounting experience after receiving his degree from Iowa State University. He started his accounting career in Denver, Colorado, working for one of the largest home builders in the country as an auditor progressing to a financial analyst and assistant controller. He then worked as a controller for one of the top ski resorts in North America for 12 years. Prior to his role as the Finance Manager, Mr. Minnick was the Vice President of Finance for a mining company.

The Authority has twenty-nine (29) employees.

---

<sup>1</sup> Commissioner Rick Wagner resigned effective October 7, 2016.

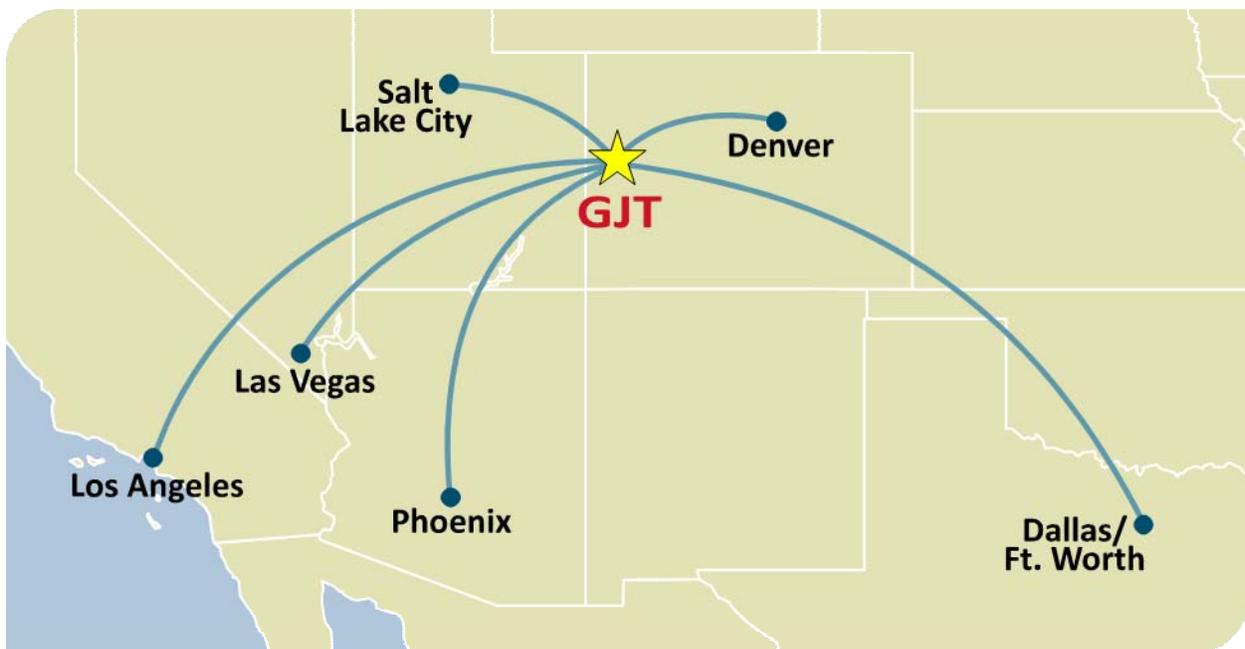
**Professional Services.** The Authority also retains professional firms for the provision of specialized services. Among these are Younge and Hockensmith, Grand Junction, Colorado who serve as general counsel to the Authority and Ehrhardt Keefe Steiner & Hoffman, Denver, Colorado who serve as the Authority's audit services firm.

### GRAND JUNCTION REGIONAL AIRPORT

Grand Junction is situated in the Grand Valley on the western slope of the Rocky Mountains in Mesa County, Colorado. Grand Junction Regional Airport and the city of Grand Junction are located between Denver and Salt Lake City, approximately 260 miles from each (as shown in the map below). The Airport is situated within the boundaries of the city of Grand Junction in the northeast area of the city approximately one mile north of Interstate 70.

Currently, the Airport has facilities for commercial passengers, air cargo, general aviation and maintenance on a site of approximately 2,847 acres. Airport facilities include the main terminal, rental car facilities, parking lots and fuel facilities. The Airport's primary runway is 10,501 feet in length.

The passenger terminal building contains over 76,000 square feet of space. Additional boarding area space, along with two (2) aircraft loading bridges, opened in spring 2004. The Airport has six operating gates. The passenger terminal apron encompasses approximately 13,000 square yards of asphalt and concrete pavement adjacent to the terminal building and provides for aircraft parking, access, and circulation.



#### Airport Tenants

The following is a list of the most significant Airport tenants. In addition to entities listed below which are directly involved in the operation, maintenance and support service for the Airport, other tenants include government agencies, terminal concessionaires and the public parking lot operator and a number of firms involved in industrial and commercial activities.

#### Major Airport Tenants

Scheduled Airlines:

Allegiant Air  
American Airlines  
Delta Airlines  
United Airlines

Government Agencies/Contractors:	FAA — Air Traffic Control Tower; Airway Facilities TSA — Airport Security Offices BLM — Air Center Colorado Division of Wildlife Civil Air Patrol, Inc. National Weather Service SM Stoller (U.S. Department of Energy Contractor)
Fixed Base Operator:	West Star Aviation
Air Freight Operators:	Federal Express Key Lime Airlines
Concessionaires:	National/Alamo Car Rental Avis/Budget Car Rental Enterprise Rent-a-Car Hertz/Dollar Car Rental Republic Parking Tailwind - Restaurant & Retail

***Passenger Enplanements.*** Enplanements remained consistent from 2014 to 2015 with a slight decrease of approximately 300 enplaned passengers for a total of 218,948 in 2015. The Airport has seen a slight decrease in seat departures, but has remained relatively stable over the last several years. A few peak years include the commencement of service to Dallas/Fort Worth in 2008, the launch of seasonal direct flights to Los Angeles in 2009, and the addition of daily direct flights to Houston in 2011. The cost per enplanement decreased in 2015 to \$7.96 from \$8.37 in 2014.

The largest number of enplanements by carrier from 2011 through 2014 has been United Airlines (“United”) with approximately 86,000 enplanements in 2014. However, with the merger of American Airlines (“American”) with US Airways has resulted in American having the most enplanements in 2015 with approximately 85,000 and United second with approximately 82,000.

*[Remainder of Page Intentionally Left Blank]*

The following tables illustrate the changes in enplanements at the Airport from 2011 through 2015, and a comparison for the first six months from 2011 through 2016.

**TABLE 3**

**GRAND JUNCTION REGIONAL AIRPORT  
HISTORICAL ENPLANED PASSENGERS  
2011 – 2015**

<b>Year</b>	<b>Allegiant Air</b>	<b>American (Adjusted with US Airways)</b>	<b>Delta Airlines</b>	<b>United Airlines</b>	<b>Other</b>	<b>Total</b>
2011	25,825	66,713	31,588	92,441	5,529	222,096
2012	23,716	73,850	30,086	86,540	5,451	219,643
2013	20,126	75,925	29,345	84,287	8,001	217,684
2014	19,328	77,806	29,145	85,721	7,252	219,252
2015	17,797	84,849	27,255	81,928	7,119	218,948

Source: Grand Junction Regional Airport Authority.

**TABLE 4**

**SIX MONTH ENPLANEMENT COMPARISON  
JANUARY – JUNE**

<b>Six Months Ended</b>	<b>Enplanements</b>	<b>Percentage Increase (Decrease)</b>
2011	106,811	—
2012	107,613	0.8%
2013	104,771	(2.6)
2014	108,331	3.4
2015	102,096	(5.8)
2016	105,802	3.6

Source: Grand Junction Regional Airport Authority.

**TABLE 5****GRAND JUNCTION REGIONAL AIRPORT  
TOP DOMESTIC PASSENGER ORIGIN-DESTINATION MARKETS AND AIRLINE SERVICE****2014**

<b>Rank</b>	<b>Market of Origin or Destination</b>	<b>Airport Passengers</b>	<b>GJT Capture Rate</b>
1	Phoenix	32,675	95%
2	Las Vegas	31,982	96
3	Dallas/Fort Worth	19,592	86
4	Los Angeles	16,375	83
5	Houston	17,493	93
6	New York	10,625	70
7	Denver	11,254	96
8	Seattle/Tacoma	8,734	75
9	Chicago	7,665	72
10	Washington	7,278	77
11	San Diego	7,230	84
12	San Francisco	5,361	64
13	Portland	6,584	79
14	Orlando	5,820	75
15	Boston	5,351	73
16	Minneapolis	5,454	75
17	Atlanta	4,976	69
18	Salt Lake City	6,376	91
19	Austin	6,245	91
20	San Antonio	4,800	83
	Subtotal Top 20	221,870	85

*Source: Grand Junction Regional Airport Authority.*

**Aircraft Operations**

Aircraft operations are departures or arrivals for two components:

1. Itinerant airlines – composed of air carriers, air taxi (commuter), general aviation, and military; and
2. Local airlines – composed of local general aviation and local military.

Total aircraft operations have decreased from 2014 to 2015 year over year. The most significant decrease was in local civilian, with a total operations decrease of approximately 2,900 operations. However, there was an increase in total military operations of 1,200 operations.

**TABLE 6**

Year	Itinerant			Local		Total	
	Air Carrier	Air Taxi	General Aviation	Military	Civilian		Military
2011	1,267	15,501	20,915	2,138	8,488	1,682	46,040
2012	1,235	14,767	20,448	2,025	9,181	1,418	46,040
2013	2,907	13,080	18,884	1,395	11,569	781	46,040
2014	3,233	12,241	17,604	1,573	10,363	1,026	46,040
2015	3,068	11,529	17,043	2,250	7,653	1,581	43,124

Source: Grand Junction Regional Airport Authority.

### Cargo Operations

Airfreight was provided primarily by FedEx, which accounted for 90% of freight in 2015 versus 89% in 2014. The other airfreight was provided by a smaller freight company and passenger air carriers. Total cargo pounds of airfreight decreased to 11,062,290 pounds in 2015 from 11,475,065 pounds in 2014. Revenue to the airport is generated from cargo operations through landing fees.

**TABLE 7**

Year	Enplaned Freight	Deplaned Freight	Total
2011	4,623,137	9,780,379	14,405,527
2012	4,513,728	10,080,249	14,595,989
2013	4,307,943	9,443,819	13,753,775
2014	4,167,478	7,305,573	11,475,065
2015	4,024,467	7,035,808	11,062,290

Source: Grand Junction Regional Airport Authority.

### Aircraft Rescue Firefighting (ARFF)

The ARFF Maintenance Building is located adjacent to the base of the air traffic control tower. It was constructed in 2000 and houses the aircraft rescue firefighting and maintenance equipment. A 3,200 square foot addition was completed in 2010.

### Authority Hangars

Constructed in 1957 and most recently renovated in 1998, this hangar is leased to Federal Express and consists of approximately 6,724 square feet. It includes space for offices and sorting operations. In December 2012, a hangar and adjacent offices used by Mesa Airlines for aircraft maintenance reverted to the airport. The 25,600 square foot hangar was constructed in 1970 and the 7,168 square foot adjacent offices constructed in 1980. The hangar is leased to West Star for aircraft maintenance. In 2013, the airport purchased a 4,800 square foot hangar in the C1A area to store equipment. The hangar was built in 1996.

### Rental Car Facilities

The Airport currently owns three rental car service facility buildings that are leased to Avis/Budget, Hertz/Dollar, and Enterprise Rent a Car. The rental car parking lot was re-constructed during the summer of 2009. The rental car parking lot has parking for 226 vehicles with 146 spaces assigned as rental car ready spaces. The remaining spaces are used for rental car employee parking.

## Parking

Vehicle parking for the passenger terminal building includes public and employee parking. A paved parking lot, immediately southwest of the terminal building, provides 638 standard, 30 handicap, and 12 motorcycle spaces. An adjacent compacted asphalt lot provides approximately 232 spaces for employee parking.

## AIRPORT REVENUES

### Sources of Revenue

The Authority has various sources of revenue which are available for payment of debt service on the Bonds. The Authority's major sources of revenue are aeronautical and non-aeronautical revenues. Aeronautical revenue is comprised of passenger airline revenue (major component is airline terminal rent) and non-passenger airline revenue (major components are fuel tax and fuel flowage fees). The major components of non-aeronautical revenue is rental cars and parking and ground transportation. Total operating revenue for fiscal year 2015 was approximately \$5,785,000.

### Passenger Airline Revenue

**Airline Terminal Rent.** The airlines paid \$30.30 price per square foot for the main ticket counter with square feet ranging from approximately 600 to 3,200. In addition to the airlines' individual space, they also must pay for shared space that is utilized by all of the airlines. The shared space is comprised of three components: baggage processing area, boarding area, and ticketing area. In addition, there is an allocation for security services. The monthly shared space charge of approximately \$80,000 is prorated based on each airlines' reported enplanements. In 2015 the Authority reported Airport terminal rent of approximately \$1,182,000.

**Landing Fees.** Landing fees charged to scheduled air carriers and commuters, air taxis, and air charter flights are based on the maximum allowable gross landing weight of the aircraft used. Landing fees currently are as follows:

Class of Aircraft	2016 Fee Per Landing
Commercial Signatory Aircraft- > 12,500 lbs. Landing Weight	\$1.70/1,000 lbs.
Commercial Signatory Aircraft- < 12,500 lbs. Landing Weight	\$7.23
Commercial Non-Signatory Aircraft- > 12,500 lbs. Landing Weight	\$3.80/1,000 lbs.
Commercial Non-Signatory Aircraft- < 12,500 lbs. Landing Weight	\$15.00
General Aviation Aircraft	No Charge
Military Aircraft	No Charge

In 2015, the Authority reported total landing fee revenue of \$474,815.

The following is a five-year summary of passenger airline revenue from 2011 through 2015.

**TABLE 8**

Passenger Airline Revenue	2011	2012	2013	2014	2015
Passenger airline landing fees	\$ 441,944	\$ 436,150	\$ 479,158	\$ 502,886	\$ 474,514
Terminal rent	1,200,759	1,220,086	1,248,686	1,243,186	1,181,845
Other (boarding bridge, deicing)	99,600	83,240	113,065	89,495	74,520
Total Passenger Airline Revenue	\$1,742,303	\$1,739,476	\$1,840,909	\$1,835,567	\$1,730,879

Source: Grand Junction Regional Airport Authority.

**Passenger Airline Leases.** The Authority entered into substantially identical Use and Lease Agreements (the "Airline Leases") with Allegiant Air, Delta Connection/SkyWest Airlines, American Airlines, and United

Express/Skywest. The Airline Leases established the terms and conditions upon which the Signatory airlines may use the Airport and establish landing fees (subject to annual renegotiation) and lease rates for both exclusive and nonexclusive use space within the terminal building. The term of these Airline Leases has expired. Although the Airline Leases have expired, the Authority and the Airlines have been operating under their existing terms, but on a month-to-month basis. The Authority intends to enter into negotiations with the Airlines for new Airline Leases to become effective in 2017.

The landing fees noted above under the caption "Sources of Revenue" are the current landing fees stated in the Airline Leases. These fees are subject to annual adjustment by the Authority subject to the provisions of the Airline Leases.

Under each Airline Lease the Authority has leased certain exclusive use areas and nonexclusive use areas. The exclusive use areas are those areas normally associated with the air carriers' business, including ticket counter space, office space and operations areas. Nonexclusive use areas include space within the terminal used in common with other air carriers and tenants. The annual rental rate for exclusive and nonexclusive use space for each airline is \$30.30 and \$27.27 per square foot, respectively.

The total rentals for nonexclusive areas is prorated under the Airline Leases among all signatory and non-signatory airlines using the terminal for any month. The allocation is calculated by multiplying the monthly rent for all nonexclusive use space by a fraction the numerator of which is the appropriate airline's enplaned passengers at the terminal for the month and the denominator of which is the total enplaned passengers for all signatory and non-signatory airlines for that month.

In consideration of the preceding rental charges, the Authority under the Airline Leases has agreed to provide at its expense light, heat, air-conditioning and electricity within the terminal and light for the ramp and other operating areas located outside the terminal. The Authority has also agreed at its expense to provide structural maintenance of the terminal building and regular custodial care.

Each airline has covenanted under its lease to be liable for any damage to the Airport, including the airfield, terminal and any other improvement, caused by the airline. All repairs are required to be made by the Authority at the airline's expense. If the damage for which the airline is liable is to the airline's premises, the airline will continue to be liable for all rent owed, even if the premises have been rendered untenable, subject to the Authority making the repairs with due diligence.

The Authority has covenants in each Airline Lease not to grant more favorable terms to any other signatory airlines.

The Authority may at its option terminate an Airline Lease upon the happening of any one or more of the following events: (i) if the fees, charges and rents to be paid by the airline are not paid when due and notice has been given to the airline and such payment default has not been cured or paid within ten (10) days from the date of receipt of the notice; (ii) if the airline defaults in the performance of any covenant or obligation imposed on it under the agreement (other than payment of fees, charges and rents), and such default has not been cured within ten (10) days after written notice thereof; (iii) if by legislative action of the United States, or any appropriate administrative agency, the Airline is deprived of a certificate, permit, or similar document authorizing it to operate aircraft in or out of the airport pursuant to such certificate or document; or (iv) if the Authority gives the airline at least thirty (30) days prior written notice of its intent to so terminate, in which event the lease will terminate at midnight on the last day of such notice period.

While the Airline Leases contain provisions for penalties and damages in case of early termination, the Authority has typically not sought to enforce strictly such provisions, because the Authority's best long-term interests are served by harmonious relations with its commercial airline tenants.

## Non-Passenger Airline Revenue

**Fuel Flowage and Fuel Tax Revenue.** Fuel flowage revenue is received from two sources:

### Fuel flowage fees

The Authority receives \$0.1017 for every gallon pumped for Avgas Jet A and military Jet A. Fuel providers shall pay a fuel flowage fee to the Authority on all fuel sold at the airport to military, government, and general aviation aircraft fuel purchasers. Unless specified in an airline operating agreement, Part 121 air carriers are excluded from fuel flowage fees.

West Star Aviation, Inc. (“West Star”) has entered into an Airport Improvement Fuel Flowage Fee Agreement (the “West Star Fuel Agreement”) with the Authority dated April 1, 2007. Pursuant to the West Star Fuel Agreement, West Star has agreed to pay a \$0.10 per gallon fuel flowage fee over and above the fuel flowage fees set by the Authority (the “Surcharge”). The additional fuel flowage fee is to be paid by West Star until \$3,800,000 in total additional fuel flowage fees have been paid under the West Star Fuel Agreement at which time the Surcharge is no longer payable. As of December 31, 2015, the Authority has received approximately \$1,900,000 of the total \$3,800,000 due. The Authority receives an average of \$214,000 per year Surcharge.

### Aviation fuel tax

Aviation fuel tax disbursements are made based on the formula of \$0.04 per gallon on aviation gasoline and jet fuel and 65% of the sales taxes collected on jet fuel used for commercial operations as reported to the Colorado Department of Revenue by the fuel providers.

The following is a five-year summary of non-passenger airline revenue from 2011 through 2015.

**TABLE 9**

<b>Non-Passenger Airline Revenue</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Landing fees from cargo	\$ 79,099	\$101,076	\$100,440	\$ 84,130	\$ 96,294
Cargo and hangar rentals	98,015	99,264	100,489	50,505	50,630
Aviation fuel tax	316,129	300,107	235,375	316,538	256,975
Fuel flowage fees	482,733	480,892	401,664	414,985	466,040
Other	9,720	8,040	4,680	8,400	0
<b>Total Non-Passenger Airline Revenue</b>	<b>\$985,696</b>	<b>\$989,379</b>	<b>\$842,648</b>	<b>\$874,558</b>	<b>\$869,939</b>

*Source: Grand Junction Regional Airport Authority.*

## Non-Aeronautical Revenue

**Rental Car Revenue.** Rental car revenue is comprised of four components:

- **Minimum Annual Guarantee (“MAG”)**  
MAG is the minimum amount the rental car company must pay the Authority each month. Each rental car company has a different MAG based on the individual contract. However, they all must pay the greater of MAG or 10% of gross revenue.
- **Terminal rent**  
Terminal rent is charged at \$30.30 per square foot. All on-airport rental car companies have a terminal space of 536 square feet.
- **Service area land and building leases**  
There are three rental car service area facilities. The rent received is based on the amount of land and the square feet of the building that occupies the land. All land areas are the same size, however, the building size ranges from approximately 800 to 2,100 square feet.

- Fuel sales  
The rental car companies had a fuel service area built as part of the Colorado State Infrastructure Bank (“SIB”) loan as discussed below. The Authority operates the fuel site, and is reimbursed for all of the fuel and charges the rental car companies use at a maximum mark up of \$1.00 per gallon. The total price per gallon charged to the rental car companies is based on the Authority’s purchase price of fuel.

The total rental car revenue received decreased from approximately \$1,206,000 for the 12 months ended December 31, 2014 to approximately \$1,151,000 for the 12 months ended December 31, 2015. The 2015 actual was lower than budget of \$1,250,000 due to the lower-than-expected revenue received from fuel sales. This fuel sales revenue is based on the cost of gas the airport purchased.

**Rental Car Concession Agreements.** The Authority has entered into substantially identical rental car concession agreements with Enterprise Leasing Company of Denver, LLC (National Car Rental, Alamo Rent A Car, Enterprise, Avis Car Rental and Hertz (the “Rental Car Leases”). Each Rental Car Lease authorizes the concessionaire to operate a rental car concession at the Airport, including ticket counter and parking lot space. The rental car parking spaces are allocated by formula to the four concessionaires under the Rental Car Leases. Each Rental Car Lease is for a term presently, ending April 30, 2020, subject to earlier termination. Each concessionaire has committed to pay the Authority an amount equal to the minimum guarantee of 10% of the concessionaire’s gross revenue for the periods specified in the concessionaire’s Rental Car Lease, whichever amount is greater. Concessionaires are also subject to additional lease charges under the Rental Car Concession Agreement for service area space.

The following constitute defaults by the concessionaire’s under the Rental Car Leases: (i) the failure to pay guaranteed minimum concession rents, percentage rents, service area rents, or any other monies owed under the Rental Car Lease, or under any other agreement between the Authority and the concessionaire, when due; (ii) any other failure by concessionaire to perform any covenant or obligation required by the Rental Car Lease, the bid documents attached thereto, or by any other agreement between the Authority and concessionaire; (iii) the acquisition of concessionaire’s interest in the Rental Car Lease by execution or other process of law; (iv) the adjudication of concessionaire as bankrupt; concessionaire’s general assignment for the benefit of creditors; the utilization of the benefits of any insolvency act, or the appointment of a permanent receiver or trustee in bankruptcy for concessionaire’s property; and (vi) abandonment of concessionaire’s operations, which is defined as concessionaire’s failure to conduct regular and continuing operations at the Airport in accordance with the terms of the Rental Car Leases for one month.

The Authority’s remedies under the Rental Car Leases include specific performance and the other remedies stated therein.

**Parking and Ground Transportation.** The Authority entered into a Parking Lot Operating Agreement dated February 20, 2001 (the “Parking Lot Agreement”) with Republic Parking System, Inc., a privately held corporation (“Republic”). The Parking Lot Agreement was amended in 2016 to extend the agreement until March 31, 2021. The Parking Lot Agreement provides that Republic will operate the Airport’s terminal building parking lot concession.

In consideration of its operating rights under the Parking Lot Agreement, Republic has agreed to pay the Authority annually the higher of the following percentages of its annual gross revenues, or a minimum annual guaranteed amount of \$350,000: (i) 80.45% of gross revenues between \$0 to \$500,000, and (ii) 91.50% of gross revenues in excess of \$500,000. The net Airport revenues under the Parking Lot Agreement after the concession fee were approximately \$1,263,000 for the year ending December 31, 2015.

**Land & Building Leases.** The Authority has approximately 44 land & building leases. These leases generated revenue of approximately \$592,000 for the year ending December 31, 2015.

**Government Agency Leases.** A number of governmental agencies are situated on the Airport property and lease land and/or facilities from the Authority. Included are Federal Aviation Authority, U.S. Transportation Security Administration, U.S. Bureau of Land Management, Colorado Division of Wildlife, the Civil Air Patrol and NOAA/National Weather Service. Agencies pay an annual charge according to the provisions of their leases.

The FAA employs approximately 15 people at the Airport. Services provided by the FAA include: the air traffic control tower, and the airways facilities sector which maintains FAA-owned equipment across the western slope of Colorado.

**Restaurant and Retail.** Effective May 1, 2016, the Authority entered a five year agreement with Tailwind to provide restaurant and retail services in the main terminal building. Previous to this agreement the Authority owned and operated a Subway franchise. This franchise agreement was terminated in early 2016 to provide the opportunity for a concessionaire to operate the restaurant and retail locations. The revenue the Authority receives is based on an annual MAG and percentage of gross revenue generated in the restaurant, bar and retail operations.

The following is a five-year summary of non-aeronautical revenue from 2011 through 2015.

**TABLE 10**

<b>Non-Aeronautical Revenue</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Land and building leases	\$ 390,636	\$ 343,140	\$ 381,610	\$ 536,864	\$ 541,343
Terminal - food and beverage	455,356	476,924	461,415	455,007	446,702
Terminal - retail	27,441	31,877	33,166	34,415	35,498
Terminal - other	137,837	241,465	241,465	241,465	241,466
Rental cars	1,317,499	1,390,266	1,234,258	1,205,661	1,150,665
Parking and ground transportation	1,141,112	1,147,420	1,209,681	1,290,743	1,290,840
Other (badging; advertising; vending)	103,453	84,455	64,716	76,146	92,985
<b>Total Non-Aeronautical Revenue</b>	<b>\$3,573,334</b>	<b>\$3,715,547</b>	<b>\$3,626,311</b>	<b>\$3,840,301</b>	<b>\$3,799,499</b>

Source: Grand Junction Regional Airport Authority.

### **Non-Operating Revenue and (Expense)**

**Passenger Facility Charges (“PFC”).** PFCs are fees collected from enplaned paying passengers to finance eligible, approved airport-related project costs, subject to FAA regulation. Airport operators are required to apply to the FAA for approval before imposing or using PFCs. The FAA has authorized the Authority to impose a PFC of \$4.50 per paying enplaned passenger from August 2011 through August 2019, the maximum allowable under current law.

PFCs are imposed by the Authority, collected by the airlines from paying passengers enplaning at the Airport and remitted to the Authority (net of a handling fee, currently equal to \$0.11 for each PFC collected). The annual amount of PFCs collected by the Authority depends upon the number of passenger enplanements at the Airport and the timely remittance of PFCs by the airlines. No assurance can be given that PFCs will actually be received in the amounts or at the times contemplated by the Authority in its capital funding plans. In addition, the FAA may terminate or reduce the Authority’s authority to impose PFCs, subject to informal and formal procedural safeguards, if the FAA determines that the Authority has violated certain provisions of federal law or the PFC or other federal regulations, or if the FAA determines that PFC revenue is not being used for approved PFC projects or that implementation of such projects did not begin within the time frames specified in the PFC statute or the PFC regulations. Future PFC applications may be denied if the FAA determines that the Authority violated any of its federal grant assurances or violated certain federal statutes and regulations applicable to airports. Amounts received or receivable under the PFC program are also subject to audit and adjustment by the FAA. The Authority has never been found in violation of or been notified by the FAA as being out of compliance with federal grant assurances or applicable federal statutes and regulations other than as noted under the heading “— Regulation.”

**Customer Facility Charges (“CFC”).** In 2009, the Authority borrowed \$4,000,000 from the SIB to finance construction of a rental car parking lot and rental car service area. The Board approved a facility use fee of \$3.25 per on-airport rental car per day in 2007 to fund the quarterly principal and interest payments. The Board approved CFC of \$4.00, effective in 2016, per on-airport rental car per day to fund the quarterly principal and interest payments. The loan has an annual interest rate of 3% and is to be re-paid over 10 years with quarterly

principal and interest payments of \$116,122 starting on September 1, 2009. The SIB loan has a remaining balance of approximately \$1,538,000 as of December 31, 2015. The CFC revenue was approximately \$599,000 for the 12 months ended December 31, 2015. CFC revenue is restricted and used to pay the principal and interest on the SIB loan. The Airport has granted the Colorado Department of Transportation a security interest in the CFC revenue for an amount sufficient to cover the loan amount and any unpaid interest. CFCs are not Gross Revenues pledged to the repayment of the Bonds.

The following is a five-year summary of non-operating revenue and (expense) from 2011 through 2015.

**TABLE 11**

<b>Non-Operating Revenue (Expense)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Passenger facility charges	\$ 896,861	\$ 888,622	\$ 911,917	\$ 897,805	\$ 874,101
Interest income	92,586	80,652	19,753	15,714	19,630
Interest expense	(933,500)	(888,327)	(842,639)	(798,833)	(749,253)
Customer facility charges	476,200	462,235	449,606	495,757	598,923
Capital contributions	5,288,930	689,490	867,849	155,984	414,414
Gain (loss) on asset disposal	29,488	43,898	5,637	31,276	(14,681)
<b>Total Non-Operating Revenue (Expense)</b>	<b>\$5,850,565</b>	<b>\$1,276,570</b>	<b>\$1,412,123</b>	<b>\$797,703</b>	<b>\$1,143,134</b>

Source: Grand Junction Regional Airport Authority.

**Fixed Based Operator.** The Authority has entered into a lease (the “Junction Aerotech FBO Lease” previously known as the “P&L FBO Lease” with P&L Properties, LLC) dated April 1, 2016, with Junction Aerotech, LLC (which has sublet its rights under the lease to West Star Aviation) (the “Partnership”). The Junction Aerotech FBO Lease is for a term ending August 15, 2028. Pursuant to the Junction Aerotech FBO Lease, the Authority has leased a total of 1,334,477 square feet to the Partnership for its use in operating the Junction Aerotech FBO. The Authority under the Junction Aerotech FBO Lease has granted the Partnership the exclusive right to use the leased premises, to provide, on a nonexclusive basis, the following aeronautical services: (i) the right to sell new and used aircraft and/or aircraft parts; (ii) aircraft rentals; (iii) aircraft avionics, radio and instrument sales, services and repairs; (iv) aircraft repair; (v) aircraft charter services; (vi) operation of flight training and aircraft maintenance instructional programs and schools; (vii) indoor and outdoor aircraft storage, parking and tie down; (viii) fueling and all other ramp services; (xi) in-flight catering services to signatory and non-signatory airline aircraft, commercial aircraft and general aviation aircraft; and (x) the right to maintain facilities described in the Junction Aerotech FBO Lease, including hangar facilities.

The Junction Aerotech FBO Lease term began on April 1, 2016 and will terminate on August 15, 2028; Junction Aerotech holds an option to renew the Junction Aerotech FBO Lease for an additional 10-year term after August 15, 2028 as well as up to four (4) additional options to extend the term of this lease for four (4) years each. The existing ground rent for the leased premises is \$0.1582 per square foot per month. Additionally, the ground rent for the 1,334,477 square feet is adjusted based on the October to October CPI-U.

The following constitute defaults by the Partnership under the Junction Aerotech FBO Lease: (i) failure to pay monthly ground rents, in-flight catering service fees, Airport Improvement Plan reimbursement installment obligations, or any other monies owed under the Junction Aerotech FBO Lease or under any other agreements between the parties, when such monies are due, and failure to cure a default within a period of thirty (30) days following written notice of the default; (ii) any other failure in performance of any covenant or obligation required under the Junction Aerotech FBO Lease, or under any other agreement between the Partnership and the Authority, and failure to cure the default within a period of thirty (30) days following written notice of the default; (iii) the acquisition of the Partnership’s interest in the Junction Aerotech FBO Lease by execution or other process of law when the process is not discharged within fifteen (15) days thereafter; (iv) the Partnership’s general assignment of its rights, title and interest under the Junction Aerotech FBO Lease for the benefit of creditors; or the appointment of a receiver for the Partnership’s property if the appointment is not vacated within ninety (90) days; and (v) abandonment of the Partnership’s operations, which is defined as the Partnership’s failure to conduct regular and

continuing operations on the leased premises in accordance with the requirement of the Junction Aerotech FBO Lease for a period of one month. In the event of a default, the Authority is authorized under the Junction Aerotech FBO Lease to sue for specific performance or pursue other legal remedies stated therein.

### **Budget Process**

The Authority is subject to both the State budget law and the State audit law. The Authority is required by law to adopt an annual budget for all operating revenues and expenses, equipment purchases, capital expenditures, debt retirement, and other contingencies. Funds for Federal Aviation Administration Airport Improvement Program Grant, State of Colorado Discretionary Aviation Grant and Passenger Facility Charge projects are approved on an individual basis.

The Authority expects to adopt the fiscal year 2017 budget by December 31, 2016.

### **Budget Summary and Comparison**

Set forth hereafter is a summary of the proposed fiscal year 2016 budget of the Authority, compared to the 2014 actual and 2015 actual.

For the proposed fiscal year 2016 budget, the Authority has budgeted for the majority of its total operating revenues (59%) to be derived from parking, rental cars and airline terminal rent. See, "Airport Manager's Discussion of Material Trends in Airport Operations and the Authority's Finances."

*[Remainder of Page Intentionally Left Blank]*

**TABLE 12**  
**Statements of Revenues, Expenses and Changes in Net Position**  
**For the Twelve Months Ended December 31, 2014 (Actual), 2015 (Actual) and 2016 (Budget)**

	2014 Actual*	2015 Actual*	2016 Budget
Operating revenue			
Aeronautical revenue			
Passenger airline revenue			
Passenger airline landing fees	\$ 502,886	\$ 474,514	\$ 470,000
Terminal rent	1,243,186	1,181,845	1,180,800
Other	89,495	74,520	91,000
Total passenger airline revenue	\$ 1,835,567	\$ 1,730,879	\$ 1,741,800
Non-passenger airline revenue			
Landing fees from cargo	\$ 84,130	\$ 96,294	\$ 91,000
Cargo and hangar rentals	50,505	50,630	50,630
Aviation fuel tax	316,538	256,975	263,000
Fuel flowage fees	414,985	466,040	466,000
Other	8,400	0	0
Total non-passenger airline revenue	\$ 874,558	\$ 869,939	\$ 870,630
Total aeronautical revenue	\$ 2,710,125	\$ 2,600,818	\$ 2,612,430
Non-aeronautical revenue			
Land and building leases	\$ 536,864	\$ 541,343	\$ 567,370
Terminal - food and beverage	455,007	446,702	441,164
Terminal - retail	34,415	35,498	24,000
Terminal - other	241,465	241,466	180,000
Rental cars	1,205,661	1,150,665	1,072,263
Parking and ground transportation	1,290,743	1,290,840	1,312,000
Other	76,146	92,985	85,000
Total non-aeronautical revenue	3,840,301	3,799,499	3,681,797
Total operating revenues	\$ 6,550,426	\$ 6,400,317	\$ 6,294,227
Operating expenses			
Personnel compensation and benefits	\$ 1,733,417	\$ 2,063,862	\$ 2,304,834
Communications and utilities	291,679	284,701	328,739
Supplies and materials	695,044	556,842	607,924
Contract services	627,707	536,955	677,224
Repairs & maintenance	250,510	269,023	664,193
Insurance	80,384	89,692	93,383
Other	143,974	141,200	318,809
Total operating expenses	\$ 3,822,715	\$ 3,942,275	\$ 4,995,106
Operating income, before depreciation	\$ 2,727,711	\$ 2,458,042	\$ 1,299,121
Depreciation	\$ 4,327,249	\$ 4,379,094	\$ 4,400,000
Operating loss	\$ (1,599,538)	\$ (1,921,052)	\$ (3,100,879)
Non-operating revenues (expenses)			
Passenger facility charges	\$ 897,805	\$ 874,101	\$ 866,000
Interest income	15,714	19,630	10,800
Interest expense	(798,833)	(749,253)	(699,382)
Customer facility charges	495,757	598,923	565,000
Capital contributions	155,984	414,414	9,856,785
Gain (loss) on asset disposal	31,276	(14,681)	0
Total non-operating revenue	\$ 797,703	\$ 1,143,134	\$ 10,599,203
Change in net position	\$ (801,835)	\$ (777,918)	\$ 7,498,324

\* Some items have been reclassified to conform to 2016 presentation.  
Source: Grand Junction Regional Airport Authority.

## Financial Statements

In accordance with Title 29, Article 1, Part 6, C.R.S., an annual audit is required to be made of the Authority's financial affairs at the end of each fiscal year.

The Authority's audit for fiscal year 2015 was prepared by Ehrhardt Keefe Steiner & Hoffman, Denver, Colorado. It is included as "APPENDIX C" hereto. Such audited financial statements are the most current available for the Authority.

## History of Authority Revenues and Expenditures

Set forth hereafter is a five year comparative statement of revenues and expenditures of the Authority, including the December 31 fund balance for each year. This information should be read together with the financial statements and accompanying notes of the Authority appearing in "APPENDIX C." Preceding years' audited financial statements of the Authority may be obtained from the sources noted in "INTRODUCTION."

TABLE 13

**Statements of Revenues, Expenses and Changes in Net Position  
For the Twelve Months Ended December 31, 2011 – 2015**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating revenue					
Total aeronautical revenue	\$ 2,727,999	\$ 2,728,855	\$ 2,683,557	\$ 2,710,125	\$ 2,600,818
Total non-aeronautical revenue	\$ 3,573,334	\$ 3,715,547	\$ 3,626,311	\$ 3,840,301	\$ 3,799,499
Total operating revenues	\$ 6,301,333	\$ 6,444,402	\$ 6,309,868	\$ 6,550,426	\$ 6,400,317
Total operating expenses	\$ 3,871,194	\$ 4,058,584	\$ 3,797,216	\$ 3,822,715	\$ 3,942,275
Operating income, before depreciation	\$ 2,430,139	\$ 2,385,818	\$ 2,512,652	\$ 2,727,711	\$ 2,458,042
Depreciation	\$ 4,089,593	\$ 4,196,417	\$ 4,350,163	\$ 4,327,249	\$ 4,379,094
Operating loss	(1,659,454)	(1,810,599)	(1,837,511)	(1,599,538)	(1,921,052)
Non-operating revenues (expenses)					
Passenger facility charges	\$ 896,861	\$ 888,622	\$ 911,917	\$ 897,805	\$ 874,101
Interest income	92,586	80,652	19,753	15,714	19,630
Interest expense	(933,500)	(888,327)	(842,639)	(798,833)	(749,253)
Customer facility charges	476,200	462,235	449,606	495,757	598,923
Capital contributions	5,288,930	689,490	867,849	155,984	414,414
Gain (loss) on asset disposal	29,488	43,898	5,637	31,276	(14,681)
Total non-operating revenue	\$ 5,850,565	\$ 1,276,570	\$ 1,412,123	\$ 797,703	\$ 1,143,134
Change in net position	\$ 4,191,111	\$ (534,029)	\$ (425,388)	\$ (801,835)	\$ (777,918)

Source: Authority Financial Statements for fiscal years 2011-2015.

## Regulation

The Authority operates the Airport pursuant to an airport operating certificate issued annually by the FAA after an on-site review. In addition to this operating certificate, the Airport is required to obtain other permits and/or authorizations from the FAA and other regulatory agencies and is bound by contractual agreements included as a condition to receiving grants under the FAA's grant programs. Federal law also governs certain aspects of

rate-setting and restricts grants of exclusive rights to conduct an aeronautical activity at an airport that receives or has received federal grants and other property. All long-term facility planning is subject to the FAA's approval; the Authority is subject to periodic audits by the FAA; the Authority's use of Airport revenues is subject to review by the FAA; and the Authority's use of PFC revenue and grant proceeds is also subject to FAA approval, audit and review. The Authority is also required to comply with the provisions of the federal Aviation and Transportation Security Act, with other federal security statutes and with the regulations of the Transportation Security Administration (the "TSA"). Security is regulated by the FAA and the TSA.

The Authority also is regulated by the federal Environmental Protection Agency and the Colorado Department of Ecology in connection with various environmental matters, including the handling of deicing materials and airline fuels and lubricants, protection of wetlands and other natural habitats, disposing of stormwater and construction wastewater runoff and noise abatement programs. The Authority's handling of noise, including restrictions and abatement programs, is also subject to the requirements of federal and State statutes and regulations.

***Rates and Charges Regulation; Federal Statutes.*** Federal statutes and FAA regulations require that an airport maintain a rate structure that is as self-sustaining as possible and generally (with certain exceptions) limit the use of all revenue (including local taxes on aviation fuel and other airport-related receipts) generated by an airport receiving federal financial assistance to purposes related to the airport. Federal statutes also provide that, without air carrier approval, an airport may not include in its rate base debt service allocable to projects not yet completed and in service.

Federal statutes include provisions addressing the requirements that airline rates and charges set by airports receiving federal assistance be "reasonable" and authorize the U.S. Secretary of Transportation to review rates and charges complaints brought by air carriers.

## **CAPITAL PLAN FUNDING**

### **Non-AIP Capital Improvements**

The Airport's capital expenditures are classified in two parts: airport improvement projects (AIP) and capital improvement projects (CIP). CIP are those projects that are not part of the AIP funding and will therefore be funded from operating revenue.

For the purposes of the capital expenditure process, capital is defined in the Airport capitalization policy as an asset that has a unit value greater than \$2,500 and a useful life greater than 12 months. This aids in the classification of items that can be categorized as capital improvements versus repairs and maintenance. Once the capital expenditures presented to the board in the 2016 budget are approved an additional approval must be received based on the Airport's policy on purchasing and procurement. This policy requires all purchases over \$10,000 have written price quotes presented to the board prior to purchase. In the event the purchase is greater than \$50,000 a request for proposal is required in order to receive competitive bids.

Non-AIP, or operating, capital improvement projects budgeted for 2016 totaled approximately \$706,000, with the majority of the budget allocated to a replacement for the parking access revenue control system for \$250,000 and security solutions project for \$200,000.

### **AIP Capital Improvements**

These projects will include the design modification of the Terminal Air Carrier Apron. The Airport has detailed designs for the reconstruction of the Airport's apron. This involves plans for the reconstruction of ramp space that is located on a private lease hold. The design modification will address this issue by modifying the ramp space to include only those areas eligible for AIP funding.

The paved surfaces that adjoin taxiway alpha to runway 11/29, known as the connectors (A1, A2, A3, A4, A5, A6 and A7) have materially diminished over the years. This project will address the cracking, raveling and general deterioration of the pavement surfaces. These pavement conditions present a substantial Foreign Object Debris problem for airport operations and will be addressed in this project.

The seal coat and restripe of the Airports primary runway (11/29) will protect the pavement from the deteriorating effects of the sun and water while also providing an additional increase in surface friction through the cover aggregate added to the pavement surface. In order for pavement to meet its 20 year design life, fog seal must be performed on a regular recurring basis. The fog seal to be applied will rejuvenate the surface of the pavement. Following the seal coat, new markings will be required. Dependent on pricing, this project may also include the fog seal and restripe of taxiway alpha.

Portions of the segmented circle are located in the Taxiway Object Free Area and Taxiway Safety Area. This requires the segmented circle to be relocated, as to not interfere with these areas. The Airport's Certification Inspector brought this discrepancy to the attention of Airport staff during the 2013 inspection and requested the issue be addressed as soon as possible. In regards to the Intersection Lighting, on runway 4/22, the Northern section of the runway serves as a taxiway to the connecting runway 11/29. Consequently, this section of runway has taxiway and runway lights that are simultaneously energized during night operations. The Airport's Certification Inspector brought this discrepancy to the attention of Airport staff during the 2013 inspection and requested the issue be addressed as soon as possible. This project will allow the airport to become compliant with design standards outlined in Advisory Circular 150/5340-30G Design and Installation Details for Airport Visual Aids.

The previously discussed AIP projects are part of a 10 year capital plan to, among other items, relocate the main runway and rehabilitate the existing runway into a taxiway. The projected 10 year cost is estimated to be approximately \$150,000,000.

**Funding Sources.** The Authority expects to fund its AIP and CIP with the following sources of funding. To the extent that anticipated funding is delayed or not available, AIP and CIP projects and their timing of implementation will be adjusted.

**Federal Grants.** The Federal Aviation Administration through the Airport Improvement Program (AIP) provides grants for the planning and development of public use airports designated as important to the National Airspace System in the National Plan of Integrated Airport Systems. Grand Junction Regional Airport Authority is a political subdivision of the state of Colorado. The Grand Junction Airport receives AIP grants that cover 90 percent of eligible costs. There are two categories of AIP funding, discretionary and entitlement. The entitlement funding is a calculation based on the airport type and enplaned passengers, Grand Junction Airport is classified as a non-hub primary airport. This qualifies the Airport for the following entitlements:

1. Passenger entitlements – the amount of funding is based on passenger enplanements with a minimum required annual funding of \$650,000
2. Small airport fund – this is not an actual stand-alone set-aside fund. It is merely a calculation to ensure that a required level of discretionary is used on small airports.
3. Cargo entitlements – this funding is based on the airport's share of total U.S. landed cargo weight.

Discretionary funding is the remainder of AIP after entitlement distributions and is available based upon need and project priority as determined by the FAA.

**State Grants.** In addition to FAA AIP grant funding, the Airport receives grants from the state of Colorado to support AIP projects (matching funds) and other projects not eligible for AIP funding. AIP matching funds from the state is generally 5% of the total project cost, however the amount of funding is determined on an annual basis by the state. The Colorado Department of Transportation, Division of Aeronautics expects to limit the grant funding to \$150,000 per year through the year 2020. Other grant projects funded by the state vary in funding up to 100% funded.

**State Infrastructure Bank (SIB) Loan Program.** As a public use Airport and a State agency (political subdivision) the Authority is able to borrow money from the SIB to fund projects that benefit the infrastructure of the State. A wide variety of projects are available for this program.

**Passenger Facility Charges (PFC).** The PFC program allows a public agency, or in the case of the Airport, political subdivision, that controls at least one commercial service airport to impose a fee for paying passengers of an air carrier enplaned at the airport. This revenue finances eligible airport projects. The Airlines and their agents are required to collect the PFC's imposed by the airport and remit those charges, less a handling fee, to the Airport.

## **Airport Operations**

The fees and charges to the airport users are designed to recover the full cost of operating the airport and to provide a portion of the resources necessary for the capital improvement and replacement of Airport assets. FAA regulations require that any reserves accumulated must be used for Airport purposes.

The Airport has requested AIP funding of approximately \$90 million, both entitlement and discretionary, for apron reconstruction, rehabilitation of crosswind runway, construction of a new primary runway and other construction projects as a result of a new primary runway. The current estimated completion date of the new runway project is 2026. Authority Commissioners will work with staff and the Authority's consultants to determine how to advance the Business Affairs of the Authority in a manner that maximizes future grant money by leveraging unrestricted and other available financial resources. This may include, but is not limited to, devising a plan to accelerate the construction of the new primary runway.

## **OTHER MATTERS**

### **Labor Relations**

The Authority budgeted for approximately 28 regular full-time-equivalent ("FTE") employees in 2016 (excluding restaurant employees), this was consistent with the 2015 budget. No employees have labor contracts.

### **Pension Plans**

***Public Employees Retirement Association (PERA).*** The Authority is required to contribute member and employer contributions to PERA at a rate set by statute. The contribution requirements of plan members and the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate is 8.00% of covered salary for members and 10.00% of covered salary for the Authority. A portion of the Authority's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund ("HCF"). The Authority is also required to pay an amortization equalization disbursement ("AED") equal to 2.20% of the total payroll. Additionally, the Authority is required to pay a supplemental amortization equalization disbursement ("SAED") equal to 1.50% of the total payroll. Therefore the total amount due PERA from the Authority is 13.70% of the total payroll.

In the fiscal years ended December 31, 2015 and 2014, the Authority contributed \$201,249 and \$178,950, respectively, to PERA. The statute also provides that if the Authority is in arrears in its payments to PERA, all State funds due to the Authority are to be reduced by 10%. The Authority is current in its payments to PERA.

The Authority also contributes to the HCF, a cost-sharing multiple-employer post employment plan administered by PERA. The Authority is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No employee member contributions are required. For the fiscal years ended 2015 and 2014, the Authority's employer contributions to the HCF were \$14,947 and \$13,323, respectively, which was equal to their required contributions for each year. Those amounts are in addition to the PERA contributions described in the previous paragraph.

PERA has reported significant unfunded accrued actuarial liability ("UAAL") in recent years. Under current law, the AED and the SAED each have statutorily mandated increases through 2018 - 0.4% per year for the AED and 0.5% per year for the SAED. The increases are slated to adjust based on the year-end funding status of the local government division of PERA; decreases are mandated when the division's year-end funded status reaches 103% and increases are mandated when the division's year-end funded status falls below 90%. The AED for the local government division of PERA will not exceed 2.2% and the SAED for the local government division will not exceed 1.5%. At December 31, 2015 and 2014, the Authority reported a liability of \$2,136,600 and \$2,135,590, respectively, for its proportionate share of UAAL.

The Authority adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. GASB 68 revises and establishes new financial reporting requirements for

most governmental entities that provide their employees with pension benefits. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense; information about the fiduciary net position of the Local Government Division Trust Fund (“LGDTF”), a cost-sharing multiple-employer defined benefit pension plan (the “Plan”); and additions to/deduction from the LGDTF’s fiduciary net position have been determined on the same basis as they are reported by the PERA. Accordingly, the 2014 financial statements have been restated and an adjustment has been made to net position as of December 31, 2013, to properly reflect the retroactive application of GASB No. 68. It was not practical for the Authority to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions as of December 31, 2014. Accordingly, the beginning balances of deferred inflows of resources and deferred outflows of resources were not recognized in the December 31, 2014 financial statements, other than contributions subsequent to the measurement date in accordance with GASB Statement No. 71. See note 8 of Exhibit A.

**401(k).** The Airport offers a 401(k) plan through Colorado PERA. The Colorado PERA 401(k) Plan is a voluntary defined contribution plan. If an employee elects to contribute funds into a Colorado PERA 401(k) Plan (the “401(k) Plan”), the Airport will match the funds contributed, up to 4% of an employee’s gross pay per calendar year, beginning January 1st. The employee must contribute to the 401(k) Plan for the Airport to match the funds. The funds contributed are matched dollar for dollar, up to a maximum of 4% of the employees gross pay per calendar year. The Authority will only match funds for full-time regular employees who have at least one year of service. For the fiscal years ended December 31, 2015 and 2014, the Authority’s contributions to the Plan totaled \$31,280 and \$31,647, respectively.

Further information regarding PERA, the HCF and the 401(k) Plan can be found in Note 8 in the Authority’s audited financial statements for the fiscal years ended December 31, 2015 and 2014, attached as Appendix A.

## **INSURANCE**

### **General Overview**

The Authority has a comprehensive risk management program that financially protects the Authority against loss from adverse events to its property, operations, third party liabilities, and employees. The Authority’s insurance year for liability coverage runs from June 1, 2016 to June 1, 2017. The Authority utilizes the services of HUB International Insurance Services, Inc. for the placement of its liability insurance. The Authority utilizes HUB International Insurance Services, Inc. to purchase its property insurance. All of the Authority’s insurance carriers are rated “A” or better by the A.M. Best & Company and includes Travelers Insurance, ACE, and Pinnacle Assurance.

### **Property Insurance**

The Authority maintains a comprehensive property insurance program for loss of, and damage to, Authority property including business interruption and equipment breakdown with a \$17,687,847 blanket building limit at a \$5,000 per occurrence deductible for all properties with \$325,000 limit of Business Personal Property and \$617,212 limit for Business Income at specified scheduled locations. Specified equipment is also insured on an Inland Marine policy with blanket limits for small tools and equipment and scheduled equipment limits for larger valued equipment.

### **Liability Insurance**

The Authority purchases airport commercial general liability (namely bodily injury and property damage coverage) insurance, which covers losses involving actual or alleged bodily injury and/or property damage that arises from claims made against the Authority by third parties. This is a primary policy with a \$25 million per occurrence limit with a \$0 retention and a limit of \$25 million aggregate limit. Coverage includes claims resulting from bodily injury and property damage arising from terrorism acts (under the Terrorism Risk Insurance Program Reauthorization Act of 2007, and reauthorized in 2015).

Liability insurance is also purchased to cover exposures and liabilities that could stem from the wrongful or non-intentional acts of Authority employees, directors, and Commissioners (Public Official Liability) and employment

practices liability at a \$1 million aggregate with a limit of \$50,000 per claim retention. The Authority also purchases an employee dishonesty policy (also known as a fidelity bond) protecting the Authority from liability due to the dishonesty and/or fraudulent acts of Authority employees. This policy has a \$100,000 limit. The Authority insures its workers' compensation exposure with Pinnacle Assurance, with Employer's Liability limits at \$1 million.

### **Third-Party Agreements**

The Authority requires all contractors, tenants, and lessees, to include the Authority as an "additional insured" on their policies of commercial general liability insurance, along with a waiver of subrogation in favor of the Grand Junction Regional Airport Authority, and endorsement that requires these parties insurance to be primary and non-contributory relative to any general liability insurance the Authority carries. All contracts and lease agreements require that the Authority, and its employees, officers, and Commissioners are to be held harmless and indemnified for all actual and alleged claims that arise out of the acts of the Authority's contractors, consultants, vendors, licensees, and lessees. Professionals such as engineers, architects, and surveyors, are also required to carry professional liability (errors and omissions) insurance for work they do for the Authority with minimum limits of \$1 million per claim or wrongful act.

### **CERTAIN INVESTMENT CONSIDERATIONS**

*The purchase of the Bonds involves investment risk. Prospective purchasers of the Bonds should consider carefully all of the information set forth in this Official Statement, including its appendices, evaluate the investment considerations and merits of an investment in the Bonds and confer with their own tax and financial advisors when considering a purchase of the Bonds.*

The Bonds are secured solely by a pledge of Net Revenues. The Authority's ability to derive Net Revenues from the operation of the Authority sufficient to pay debt service on the Bonds depends on many factors, some of which are not subject to the control of the Authority.

Factors subject to the Authority's control, to some degree, include the contractual terms the Authority establishes with its tenants, including airlines and West Star Aviation. In addition, the Authority determines, subject to the requirements of the Bond Resolution whether and when to issue additional indebtedness secured by a lien on Net Revenues on a parity with or subordinate to the lien of the Bonds.

There are many factors outside of the Authority's control that can affect activity levels in the Authority's operations. Some known factors include the level of economic activity both within and outside of the area served by the Authority, general demand for air travel, the financial condition of the airline industry, regulation of the Authority and Airport operations, global health, security and other geopolitical concerns, and natural disasters.

The following section discusses some of the factors affecting Net Revenues. The following discussion cannot, however, describe all of the factors that could affect Net Revenues. In addition to these known factors, other factors could affect the Authority's ability to derive Net Revenues sufficient to pay debt service on the Bonds.

### **Uncertainties of the Aviation Industry**

The ability of the Authority to generate revenues from its Airport operations depends, in part, upon the financial health of the aviation industry. The economic condition of the industry is volatile, and the aviation industry has undergone significant changes, including mergers, acquisitions, consolidations, bankruptcies and closures. The industry is cyclical and subject to intense competition and variable demand. Further, the aviation industry is sensitive to a variety of other factors, including (i) the cost and availability of labor, fuel, aircraft and insurance, (ii) general economic conditions, (iii) international trade, (iv) currency values, (v) competitive considerations, including the effects of airline ticket pricing and increased taxes and fees, (vi) traffic and airport capacity constraints and the national aviation system capacity constraints, (vii) uncertainties of federal funding, governmental regulation, including security regulations, fees, and taxes imposed on airlines and passengers, and maintenance and environmental requirements, (viii) passenger demand for air travel, and (ix) disruption caused by airline accidents, natural disasters, criminal incidents and acts of war or terrorism, such as the events of September 11, 2001. The aviation industry is also vulnerable to strikes and other union activities. Airlines operating at the Airport have filed for bankruptcy in the past and may do so in the future.

## **Aeronautical Revenues**

The FAA provides airports with the ability to recover airline-related costs within certain guidelines. Airports may enter into use and lease agreements with airlines or they may set rates and charges by legislative action. The Airport currently is operating on a month to month basis with the Airlines under the terms of expired airline agreements. Accordingly, the airlines may terminate their operations at the Airport on short notice and with no additional compensation to the Airport. Under the existing arrangements with the airlines, the airlines are not required to pay for all of the Authority's costs at the Airport.

## **Future Capital Projects**

The Authority has identified its CIP for the ten year period. The program is based on identified improvements and current cost and timing estimates. The actual costs and schedules of projects are subject to change. There may be additional improvements needs including those identified in the Airport's master plan that are necessary to address competitive challenges in the Authority's various businesses or are deemed to provide an economic benefit. There is no guarantee that capital investments will generate new revenues or revenues sufficient to off-set costs.

## **Other Agreements**

The Authority has entered into various agreements that provide rent and concessions revenue to the Authority. Some of the revenue payable under these agreements is based on volume and thus will vary, perhaps substantially. These agreements have various expiration dates. There is no guarantee that agreements will be renewed or that new agreements will have similar provisions and associated revenues. There is also no guarantee that existing agreements will not be amended with terms less favorable than current terms.

## **Limitation of Remedies**

Under the terms of the Bond Resolution, payments of debt service on Bonds are required to be made only as they become due and the occurrence of a default does not grant a right to accelerate payment of the Bonds. In the event of multiple defaults in payment of principal of or interest on the Bonds, the Bond owners could be required to bring a separate action for each such payment not made. Remedies for defaults are limited to such actions which may be taken at law or in equity. See Appendix D. No mortgage or security interest has been granted or lien created in any real property of the Authority to secure the payment of any of the Authority's bonds, including the Bonds. Leases with tenants, including airlines and container terminal operators, are subject to bankruptcy proceedings, leading to possible rejection of the leases or long delays in enforcement.

Various State laws, constitutional provisions, and federal laws and regulations apply to the obligations created by the issuance of the Bonds. There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws and provisions will not be changed, interpreted, or supplemented in a manner that would have a material adverse effect, directly or indirectly, on the affairs of the Authority.

In the event of a default in the payment of principal of or interest on the Bonds, the remedies available to the owners of the Bonds upon a default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law, and judicial decisions, including the federal Bankruptcy Code. Bond Counsel's opinion as to enforceability to be delivered simultaneously with delivery of the Bonds will be qualified by certain limitations, including limitations imposed by bankruptcy, reorganization, insolvency, and equity principles. See the proposed forms of Bond Counsel opinions included in Appendix C.

## **Bankruptcy; Dissolution**

The enforceability of the rights and remedies of the Bondholders, the obligations of tenants or customers of the Authority, and of the Authority and the liens and pledges created by the Resolution are subject to the United States Bankruptcy Code (the "Bankruptcy Code") and/or to other applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, to equitable principles that may limit the enforcement under Colorado law of certain remedies and to exercise by the United States of America of powers delegated to it by the United States Constitution. Some of the risks associated with a bankruptcy, insolvency or dissolution are described below and include the risks of delay in payment or of

nonpayment. Potential purchasers of the Bonds should consult their own attorneys and advisors in assessing the risk and the likelihood of recovery in the event the Authority, its tenants or customers, or any other party becomes a debtor in a bankruptcy, insolvency or dissolution case prior to the time the Bonds are paid in full.

In addition, payments made by a bankrupt entity within 90 days (up to 366 days if the entity is found to be an insider) of a filing of a bankruptcy case could be deemed to be “avoidable preferences” under the Bankruptcy Code and thus could be subject to recapture in bankruptcy, including from the Bondholders. If an entity is in bankruptcy, parties (including the Bondholders) may be prohibited from taking action to collect from or to enforce obligations of such entity without permission of the bankruptcy court, and the Authority may be prevented from making payments to the Bondholders from funds in its possession. These restrictions may result in delays or reductions in payments on the Bonds.

There may be other possible effects of a bankruptcy of the Authority or tenants or customers of the Authority that could result in delays or reductions in payments on the Bonds, or result in losses to the Bondholders. Regardless of any specific adverse determinations in any such bankruptcy proceeding, the fact of such a bankruptcy proceeding could have an adverse effect on the liquidity and value of the Bonds.

***Tenants or Customers.*** The bankruptcy of a signatory airline or of another tenant or customer of the Authority could result in delays, additional expenses and/or reductions in payments or nonpayment to the Authority and, as a result, could reduce Gross Revenue and Available Intermediate Lien Revenue. Bankruptcy law in the United States is governed by the United States Bankruptcy Code (the “Bankruptcy Code”), and federal bankruptcy courts retain jurisdiction over parties that are subject to bankruptcy petitions, voluntarily or involuntarily. Bankruptcy courts have the jurisdiction, within the limits of the Bankruptcy Code, to review debtors’ agreements and the debtors’ decisions to assume or reject their agreements and to approve, reject or delay payments of debtors’ financial and other obligations. Risks associated with bankruptcy include the risk of substantial delay in payment or of non-payment, the risk that the Authority might not be able to enforce its other contractual remedies, the risk that the Authority may have to return certain payments received during the “preference” period and the risk of additional litigation costs if the Authority decides or is required to participate in bankruptcy proceedings. Bankruptcy of a major tenant or customer could result in long delays and significant costs and possibly in large losses to the Authority.

***The Authority.*** Under current Colorado law, political subdivisions or public agencies, such as the Authority, are not authorized to file for bankruptcy under chapter 9 of the Bankruptcy Code.

## **Laws and Regulation**

The Authority is subject to federal, State, and local laws and regulations. Failure by the Authority (or by its contractors or tenants) to comply with, or violations of, statutory and regulatory requirements could result in the loss of grant and PFC funds and other consequences. These statutory and regulatory requirements are subject to change and could become more stringent and costly for the Authority and its customers and tenants. For example, statutory or regulatory requirements limiting emissions or otherwise addressing climate change could be implemented or increased. Climate change concerns have led to new or proposed laws and regulations at the federal, state and local level, which could have a material adverse effect on the Authority’s or the Authority’s tenants. The Authority cannot predict whether future restrictions or limitations on the Authority will be imposed, whether future legislation or regulations will affect funding for capital projects or whether such restrictions or legislation or regulations will adversely affect Net Revenues.

## **Federal Budget; Sequestration**

Federal funding (including funding of FAA and TSA budgets) is subject to federal legislative action, including through the federal budget process and sequestration (a budgetary feature first introduced in the Budget Control Act of 2011). Budgetary acts, including sequestration, could continue to affect FAA and TSA budgets, operations, and the availability of certain federal grant funds. In addition, budgetary acts including sequestration could cause the FAA and the TSA to implement employee furloughs, hiring freezes or other staffing changes (including of air traffic controllers), which could result in flight delays or cancellations. The Authority can make no representations at this time concerning what impact, the timing of such impact, or the materiality of such impact that TSA reductions would have on Authority operations.

## **Accounting Rules**

The Authority is subject to accounting rules and standards promulgated by the Governmental Accounting Standards Board. These rules may change, requiring the Authority at such time to value and state its accounts in ways beyond the Authority's ability to control or predict.

## **Continuing Compliance with Tax Covenants; Changes of Law**

The Bond Resolution and the Authority's tax certificate will contain various covenants and agreements on the part of the Authority that are intended to establish and maintain the tax-exempt status of interest on the Bonds. A failure by the Authority to comply with such covenants and agreements, including any remediation obligations, could, directly or indirectly, adversely affect the tax-exempt status of interests on the Bonds. Any loss of tax-exemption could cause all of the interest received by the Owners of the Bonds to be taxable. All or a portion of interest on the Bonds also could become subject to federal and/or state income tax as a result of changes of law. Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest.

## **LITIGATION AND ADMINISTRATIVE PROCEEDINGS**

### **No Litigation Concerning the Bonds**

As of the date of this Official Statement, there is no litigation, to the knowledge of the Authority, pending or threatened, challenging the authority of the Authority to issue the Bonds or seeking to enjoin the issuance of the Bonds.

### **Other Litigation and Administrative Proceedings**

The Authority is a defendant in various legal actions and claims that arise during the normal course of business. Some of these claims may be covered by insurance. The Authority is not aware of any legal actions that, in the opinion of Authority management, will have a material adverse effect on the financial position, results of operations or cash flows of the Authority.

## **CONTINUING DISCLOSURE**

The Authority is covenanting for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data (the "Annual Disclosure Report") by not later than nine months following the end of the Authority's fiscal year (which currently would be September 30 2017, for the report for the 2016 fiscal year), and to provide notices of the occurrence of certain enumerated events. The Annual Disclosure Report and notices of listed events are to be filed with the Municipal Securities Rulemaking Board ("MSRB"). The specific nature of the information to be contained in the Annual Disclosure Report and in notices of listed events is set forth in Appendix E. These covenants are made by the Authority to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5). The Authority has entered into a previous continuing disclosure undertaking with respect to its 2007 Bonds (the "2007 Undertaking"). During the preparation of this Official Statement, the Authority discovered that it had not submitted a notice of a rating upgrade of the 2007 Bonds by Moody's Investors Service, had filed its fiscal year 2015 financial statements later than required, and had not submitted notices of failure to provide such notices, as required by the 2007 Undertaking. The Authority responded to this discovery by filing the required information and a notices of failure to provide the information to the MSRB on October 20, 2016.

## **TAX MATTERS**

### **2016A Bonds**

In the opinion of Bond Counsel, interest on the 2016A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on

individuals and corporations; however, interest on the 2016A Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the 2016A Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the 2016A Bonds and the facilities financed or refinanced with proceeds of such bonds and certain other matters. The Authority has covenanted to comply with all applicable requirements.

Bond Counsel's opinion is subject to the condition that the Authority comply with the above-referenced covenants and, in addition, will rely on representations by the Authority and its advisors with respect to matters solely within the knowledge of the Authority and its advisors, respectively, which Bond Counsel has not independently verified. If the Authority fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the 2016A Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2016A Bonds, regardless of the date on which the event causing taxability occurs. In rendering its opinion, Bond Counsel has relied on the report of Causey Demgen & Moore P.C. with respect to the accuracy of certain mathematical calculations.

Except as expressly stated above, Bond Counsel expresses no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2016A Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning such bonds, which may include tax issues associated with original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Prospective purchasers of the Bonds should be aware that ownership of the 2016A Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the 2016A Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the 2016A Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations, such as the 2016A Bonds, are in many cases required to be reported to the Internal Revenue Service (the "IRS"). Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel gives no assurance that any future legislation or clarifications or amendments to the Code, if enacted into law, will not cause the interest on the 2016A Bonds to be subject, directly or indirectly, to federal income taxation. From time to time, legislation is proposed that, if enacted, could alter the federal income tax consequences described herein, or otherwise prevent owners of the 2016A Bonds from realizing the full current benefit of the tax status of the interest on the Bonds. Prospective purchasers of the 2016A Bonds should consult their own tax advisors regarding any pending or proposed federal legislation, as to which Bond Counsel expresses no view.

Bond Counsel's opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel's legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the Authority's compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the 2016A Bonds. Owners of the 2016A Bonds are advised that, if the IRS does audit the 2016A Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the Authority as the taxpayer, and the owners of the 2016A Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the 2016A Bonds until the audit is concluded, regardless of the ultimate outcome.

*Premium.* An amount equal to the excess of the purchase price of a 2016A Bond over its stated redemption price at maturity constitutes premium on that 2016A Bond. A purchaser of a 2016A Bond must amortize any premium over that 2016A Bond's term using constant yield principles, based on the 2016A Bond's yield to maturity. As premium is amortized, the purchaser's basis in the 2016A Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to the purchaser. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of the 2016A Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of 2016A Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and the state and local tax consequences of owning such 2016A Bonds.

*Not Qualified Tax-Exempt Obligations.* The Authority has not designated the 2016A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

### **2016B Bonds - Certain Federal Tax Consequences**

The following discussion describes aspects of the principal U.S. federal tax treatment of U.S. persons that are beneficial owners ("Owners") of 2016B Bonds. This summary is based on the Code, published revenue rulings, administrative and judicial decisions, and existing and proposed Treasury regulations (all as of the date hereof and all of which are subject to change, possibly with retroactive effect).

This summary discusses only 2016B Bonds held as capital assets within the meaning of Section 1221 of the Code. It does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, dealers in securities or foreign currencies, Owners holding the 2016B Bonds as part of a hedging transaction, "straddle," conversion transaction, or other integrated transaction, or Owners whose functional currency (as defined in Section 985 of the Code) is not the U.S. dollar. Except as stated herein, this summary describes no federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the 2016B Bonds. ACCORDINGLY, INVESTORS WHO ARE OR MAY BE DESCRIBED IN THIS PARAGRAPH SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE UNITED STATES FEDERAL INCOME TAX CONSEQUENCES TO SUCH INVESTORS, AS WELL AS TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

*In General.* Interest derived from a 2016B Bond by an Owner is subject to U.S. federal income taxation. In addition, a 2016B Bond held by an individual who, at the time of death, is a U.S. person is subject to U.S. federal estate tax.

*Payments of Interest.* Interest, on the 2016B Bonds will generally be taxable to Owners as ordinary interest income at the time it accrues or is received, in accordance with the Owner's method of accounting for U.S. federal income tax purposes. Owners who are cash-method taxpayers will be required to include interest in income upon receipt of such interest income; whereas Owners who are accrual-method taxpayers will be required to include interest as it accrues, without regard to when interest payments are actually received.

*Disposition or Retirement.* Upon the sale, exchange or other disposition of a 2016B Bond, or upon the retirement of a 2016B Bond (including by redemption), an Owner will recognize capital gain or loss equal to the difference, if any, between the amount realized upon the disposition or retirement (reduced by any amounts attributable to accrued but unpaid interest, which will be taxable as such) and the Owner's adjusted tax basis in the 2016B Bond. Any such gain or loss will be United States source gain or loss for foreign tax credit purposes. The 2016B Bonds are not subject to optional redemption. The 2016B Bonds are subject to defeasance at any time prior to their stated maturities. See "DESCRIPTION OF THE BONDS — Defeasance." If the Authority defeases any 2016B Bonds, such 2016B Bonds may be deemed to be retired and "reissued" for federal income tax purposes as a result of the defeasance. In such event, the Owner of a 2016B Bond would recognize a gain or loss on the 2016B Bond at the time of defeasance.

***Unearned Income Medicare Contribution.*** A 3.8 percent Medicare tax applies to certain net investment income earned by individuals, estates, and trusts. For these purposes, net investment income generally includes an Owner's interest income from a 2016B Bond (including accrued original issue discount, if any, on a 2016B Bond and market discount) and gain realized on the sale, retirement or other disposition of a 2016B Bond. In the case of an individual, the tax is imposed on the lesser of (i) the Owner's net investment income for the year, or (ii) the amount by which the Owner's modified adjusted gross income (i.e., adjusted gross income reduced by certain exclusions applicable to U.S. citizens or residents living abroad) exceeds \$250,000 (if the Owner is married and filing jointly or a surviving spouse), \$125,000 (if married filing separately) or \$200,000 (if the Owner is unmarried or in any other case). In the case of an estate or trust, the tax is imposed on the lesser of (i) undistributed net investment income, or (ii) the excess of adjusted gross income over the dollar amount at which the highest income tax bracket applicable to an estate or trust begins.

***Information Reporting and Backup Withholding.*** Payments of interest on 2016B Bonds held of record by U.S. persons other than corporations and other exempt Owners must be reported to the IRS. Such information will be filed each year with the IRS on Form 1099, which will reflect the name, address, and taxpayer identification number of the Owner. A copy of Form 1099 will be sent to each Owner of a 2016B Bond for federal income tax reporting purposes.

Interest paid to an Owner of a 2016B Bond ordinarily will not be subject to withholding of federal income tax if such Owner is a U.S. person. Backup withholding of federal income tax may apply, however, to payments made in respect of the 2016B Bonds, as well as payments of proceeds from the sale of 2016B Bonds, to Owners who are not "exempt recipients" and who fail to provide certain identifying information. The backup withholding rule currently in effect is 28 percent. This withholding generally applies if the Owner of a 2016B Bond (who is not an exempt recipient) (i) fails to furnish such Owner's social security number or other taxpayer identification number ("TIN"), (ii) furnishes an incorrect TIN, (iii) fails to properly report interest, dividends or other "reportable payments" as defined in the Code, or (iv) under certain circumstances, fails to provide a certified statement, signed under penalty of perjury, that the TIN provided is correct and that such Owner is not subject to backup withholding. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. To prevent backup withholding, each prospective Owner will be requested to complete an appropriate form.

Any amounts withheld under the backup withholding rules from a payment to a person would be allowed as a refund or a credit against such person's U.S. federal income tax, provided that the required information is furnished to the IRS. Furthermore, certain penalties may be imposed by the IRS on an Owner who is required to supply information but who does not do so in the proper manner.

The federal tax discussion set forth above is included for general information only and may not be applicable depending upon an owner's particular situation. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the 2016B Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not U.S. persons.

## **ERISA CONSIDERATIONS**

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on employee benefit plans subject to Title I of ERISA ("ERISA Plans"), and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements under Title I, Part 4 of ERISA, including, but not limited to, the requirements of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the Plan.

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan (as well as those plans that are not subject to Title I of ERISA but are subject to Section 4975 of the Code, such as individual retirement accounts (together with ERISA Plans, "Plans")) and certain persons (referred to as "parties in interest" or "disqualified persons" (each a "Party in Interest")) having certain relationships to such Plans, unless a statutory or administrative exemption is applicable to the transaction. A Party in Interest who engages in a prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code.

The fiduciary of a Plan that proposes to purchase and hold any 2016B Bonds should consider, among other things, whether such purchase and holding may involve (i) the direct or indirect extension of credit to a Party in Interest, (ii) the sale or exchange of any property between a Plan and a Party in Interest and (iii) the transfer to, or use by or for the benefit of, a Party in Interest, of any Plan assets within the meaning of 29 CFR Sec. 2510.3-102 as modified by ERISA Section 3(42). Depending on the identity of the Plan fiduciary making the decision to acquire or hold 2016B Bonds on behalf of a Plan and other factors, U.S. Department of Labor Prohibited Transaction Class Exemption (“PTCE”) 75-1 (relating to certain broker-dealer transactions), PTCE 84-14 (relating to transactions effected by “qualified professional asset managers”), PTCE 90-1 (relating to investments by insurance company pooled separate accounts), PTCE 91-38 (relating to investments by bank collective investment funds), PTCE 95-60 (relating to investments by an insurance company general account), or PTCE 96-23 (relating to transactions directed by certain “in-house asset managers”) (collectively, the “Class Exemptions”) could provide an exemption from the prohibited transaction provisions of ERISA and Section 4975 of the Code. In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code generally provide for a statutory exemption from the prohibitions of Section 406(a) of ERISA and Section 4975 of the Code for certain transactions between Plans and persons who are Parties in interest solely by reason of providing services to such Plans or that are affiliated with such service providers, provided generally that such persons are not fiduciaries (or affiliates of such fiduciaries) with respect to the “plan assets” of any Plan involved in the transaction and that certain other conditions are satisfied.

By its acceptance of a 2016B Bond, each purchaser will be deemed to have represented and warranted that either (i) no “plan assets” of any Plan have been used to purchase such 2016B Bond, or (ii) the purchase and holding of such 2016B Bond either do not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code, or are exempt from the prohibited transaction restrictions of ERISA and Section 4975 of the Code pursuant to a statutory exemption or an administrative class exemption.

Each Plan fiduciary (and each fiduciary for a governmental or church plan subject to the rules similar to those imposed on Plans under ERISA) should consult with its legal advisor concerning an investment in any of the 2016B Bonds.

## **BOND INSURANCE**

Concurrently with the issuance of the Bonds, National Public Finance Guarantee Corporation (“National”) will issue its Financial Guaranty Insurance Policies for the 2016A Bonds and the 2016B Bonds (together, 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 G to this Official Statement. The following information has been furnished by National Public Finance Guarantee Corporation (“National”) for use in this Official Statement.

National does not accept any responsibility for the accuracy or completeness of any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding National and the Policy issued by National. Additionally, National makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Authority to the Registrar or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that 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 guaranteed by the Policy shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless National elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a “Preference”).

The Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. The Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an

accelerated basis; (iii) payments of the purchase price of Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. The Policy also does not insure against nonpayment of principal or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Registrar or any other paying agent for the Bonds.

**National Public Finance Guarantee Corporation.** National is an operating subsidiary of MBIA Inc., a New York Stock Exchange listed company. MBIA Inc. is not obligated to pay the debts of or claims against National. National is domiciled in the State of New York and is licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico and the U.S. Virgin Islands.

The principal executive offices of National are located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and the main telephone number at that address is (914) 765-3333.

**Regulation.** As a financial guaranty insurance company licensed to do business in the State of New York, National is also subject to the New York Insurance Law which, among other things, prescribes minimum capital requirements and contingency reserves against liabilities for National, limits the classes and concentrations of investments that are made by National and requires the approval of policy rates and forms that are employed by National. State law also regulates the amount of both the aggregate and individual risks that may be insured by National, the payment of dividends by National, changes in control with respect to National and transactions among National and its affiliates.

The National Insurance Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

**Financial Strength Ratings of National.** National's current financial strength ratings from the major rating agencies are summarized below:

Agency	Ratings	Outlook
S&P	AA-	Stable
Moody's	A3	Negative
KBRA	AA+	Stable

Each rating of National should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of National and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. National does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

**Recent Litigation.** In the normal course of operating its business, National may be involved in various legal proceedings. Additionally, MBIA Inc. may be involved in various legal proceedings that directly or indirectly impact National. For additional information concerning material litigation involving National and MBIA Inc., see MBIA Inc.'s Annual Report on Form 10-K for the year ended December 31, 2015 and Quarterly Report on Form 10-Q for the quarter ended June 30, 2016, which is hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof, as well as the information posted on MBIA Inc.'s web site at <http://www.mbia.com>.

MBIA Inc. and National are defending against/pursuing the aforementioned actions and expect ultimately to prevail on the merits. There is no assurance, however, that they will prevail in these actions. Adverse rulings in these actions could have a material adverse effect on National's ability to implement its strategy and on its business, results of operations and financial condition.

Other than as described above and referenced herein, there are no other material lawsuits pending or, to the knowledge of National, threatened, to which National is a party.

**National Financial Information.** Based upon statutory financials, as of June 30, 2016, National had total net admitted assets of \$4.8 billion (unaudited), total liabilities of \$2.1 billion (unaudited), and total surplus of \$2.7 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning National, see the financial statements of MBIA Inc. and its subsidiaries as of December 31, 2015, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of MBIA Inc. for the year ended December 31, 2015, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

**Incorporation of Certain Documents by Reference.** The following documents filed by MBIA Inc. with the Securities and Exchange Commission (the “SEC”) are incorporated by reference into this Official Statement:

MBIA Inc.’s Annual Report on Form 10-K for the year ended December 31, 2015;

MBIA Inc.’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016.

Any documents, including any financial statements of National that are included therein or attached as exhibits thereto, or any Form 8-K, filed by MBIA Inc. pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of MBIA Inc.’s most recent Quarterly Report on Form 10-Q or Annual Report on Form 10-K, and prior to the termination of the offering of the Bonds offered hereby shall be deemed to be incorporated by reference in this Official Statement and to be a part hereof from the respective dates of filing such documents.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein, or contained in this Official Statement, shall be deemed to be modified or superseded for purposes of this Official Statement to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement.

MBIA Inc., files annual, quarterly and special reports, information statements and other information with the SEC under File No. 1-9583. Copies of MBIA Inc.’s SEC filings (MBIA Inc.’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2016 and MBIA Inc.’s Annual Report on Form 10-K for the year ended December 31, 2015) are available (i) over the Internet at the SEC’s web site at <http://www.sec.gov> (website is not incorporated herein by reference); (ii) at the SEC’s public reference room in Washington D.C.; (iii) over the Internet at MBIA Inc.’s web site at <http://www.mbia.com>; and (iv) at no cost, upon request to National at its principal executive offices.

## LEGAL MATTERS

Issuance of the Bonds is subject to receipt of the legal opinions of K&L Gates LLP, Bond Counsel and Disclosure Counsel to the Authority, and to certain other conditions. See Appendix B for the forms of the opinions of Bond Counsel. Any opinions of such firm will be addressed solely to the Authority, will be limited in scope, and cannot be relied upon by investors.

Certain legal matters will be passed on for the Underwriter by Stradling Yocca Carlson & Rauth, P.C., Counsel to the Underwriter. Any opinion of such firm will be addressed solely to the Underwriter, will be limited in scope, and cannot be relied upon by investors.

## RATINGS

As noted on the cover page of this Official Statement, Moody’s Investors Service (“Moody’s”) and S&P Global Ratings (“S&P”) have assigned ratings “A3” and “AA-,” respectively, to the Bonds on the understanding that policies insuring the payment when due of principal of and interest on the Bonds will be issued by National Public Finance Guarantee Corporation (“National”) upon the delivery of the Bonds. Moody’s has assigned its underlying rating of “Baa2,” to the Bonds. Certain information was supplied by the Authority to Moody’s to be considered in evaluating the Bonds. The foregoing ratings express only the views of the rating agencies and are not a recommendation to buy, sell or hold the Bonds. An explanation of the significance of the ratings may be obtained from the rating agency furnishing the rating. There is no assurance that such ratings will continue for any given

period of time or that they will not be revised downward or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings may have an adverse effect on the market price of the Bonds. The Authority does not have any obligation to take any action, other than file a listed event notification, if the ratings of National or the Bonds are changed, suspended or withdrawn.

#### **THE REGISTRAR**

The principal of and interest and redemption premium, if any, on the Bonds are payable by U.S. Bank National Association.

#### **UNDERWRITING**

The 2016A Bonds are to be purchased from the Authority at an aggregate purchase price of \$18,882,461.00 (the principal amount of the 2016A Bonds, less Underwriter's discount of \$107,791.25, and plus net original issue premium of \$2,015,252.25; subject to the terms of a bond purchase contract between the Authority and RBC Capital Markets, LLC (the "Underwriter").

The 2016B Bonds are to be purchased from the Authority at an aggregate purchase price of \$2,677,886.75 (the principal amount of the 2016B Bonds, and less Underwriter's discount of \$17,113.25; subject to the terms of a bond purchase contract between the Authority and the Underwriter).

The bond purchase contract provides that the Underwriter will purchase all of the Bonds if any are purchased and that the obligation of the Underwriter to accept and pay for the Bonds is subject to certain terms and conditions set forth therein, including the approval by counsel of certain legal matters.

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

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

The initial public offering prices or yields set forth on the inside cover page may be changed from time to time by the Underwriter without prior notice. The Underwriter may offer and sell the Bonds to certain dealers, unit investment trusts or money market funds at prices lower than the public offering prices or at yields higher than the yields stated on the inside cover page.

The Authority will use a portion of the proceeds from this offering to redeem the Refunded Bonds. To the extent an Underwriter or an affiliate thereof is an owner of Refunded Bonds, such Underwriter or affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Bonds contemplated herein in connection with such Refunded Bonds redeemed by the Authority.

#### **INDEPENDENT AUDITORS**

The Authority's financial statements as of December 31, 2015 and 2014, and for the years ended December 31, 2015 and 2014, included herein as Appendix A, have been audited by Ehrhardt Keefe Steiner & Hoffman, Denver, Colorado, independent auditors, as stated in its report appearing herein. The audited financial statements of the Grand Junction Regional Airport Authority are public documents. The Authority has not requested that Ehrhardt Keefe Steiner & Hoffman provide consent for inclusion of the audit report in this Official Statement, and Ehrhardt Keefe Steiner & Hoffman has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Further, Ehrhardt Keefe Steiner & Hoffman has not participated in any way in the preparation or review of this Official Statement.



(THIS PAGE INTENTIONALLY LEFT BLANK)

**APPENDIX A**  
**AUDITED FINANCIAL STATEMENTS**  
**(SEE ATTACHED)**

(THIS PAGE INTENTIONALLY LEFT BLANK)

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Financial Statements  
and  
Independent Auditors' Report  
December 31, 2015 and 2014**

**EKS&H**  
AUDIT | TAX | CONSULTING

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Table of Contents

	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	4
Financial Statements	
Statements of Net Position.....	13
Statements of Revenues, Expenses, and Changes in Net Position.....	14
Statements of Cash Flows.....	15
Notes to Financial Statements.....	17
Accompanying Information	
Schedule of the Authority's Proportionate Share of the Net Pension Liability Local Government Division Trust Pension Plan.....	37
Schedule of Authority's Contributions Local Government Division Trust Pension Plan.....	38
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	39
Independent Auditors' Report on Compliance with Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance in Accordance with the Passenger Facility Charge Audit Guide for Public Agencies.....	41
Schedule of Expenditures of Passenger Facility Charges.....	43
Notes to Schedule of Expenditures of Passenger Facility Charges.....	44

## **INDEPENDENT AUDITORS' REPORT**

Grand Junction Regional Airport Authority  
Board of Commissioners  
Grand Junction, Colorado

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the business-type activities of Grand Junction Regional Airport Authority (the "Authority"), as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

### **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

### **AUDITORS' RESPONSIBILITY**

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

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

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

## **OPINION**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Grand Junction Regional Airport Authority as of December 31, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with auditing standards generally accepted in the United States of America.

## **CHANGE IN ACCOUNTING PRINCIPLE**

As discussed in Note 1 to the financial statements, in 2015 the Authority adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. Accordingly, the 2014 financial statements have been restated and an adjustment has been made to net position as of December 31, 2013 to properly reflect the retroactive application of GASB No. 68. Our opinion was not modified with respect to this matter.

## **OTHER MATTERS**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-12 and pension information on pages 37-38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 that collectively comprise the Authority's basic financial statements. The schedule of expenditures of passenger facility charges, as required by the Federal Aviation Administration, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of passenger facility charges is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2016 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*EKS&H LLLP*

EKS&H LLLP

March 11, 2016  
Denver, Colorado

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Management's Discussion and Analysis

The following discussion and analysis of the financial performance and activity of the Grand Junction Regional Airport Authority (the "Authority" or "GJRA") is to provide an introduction and overview that users need to interpret the financial statements of the Authority for the years ended December 31, 2015 and 2014. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes thereto, which follow this section.

### OPERATIONAL AND FINANCIAL ACTIVITY

#### Enplanements

Enplanements remained consistent from 2014 to 2015 with a slight decrease of approximately 300 enplaned passengers for a total of 218,948 in 2015. The cost per enplanement decreased in 2015 to \$7.96 from \$8.37 in 2014. During the year 2014, the following flights were available to passengers of Grand Junction Airport ("GJT"):

- United Airlines ("United") offered daily service to Denver International Airport ("DIA") and Houston's George Bush Intercontinental Airport ("IAH")
- Delta Air Lines ("Delta") operated two daily flights to Salt Lake City International Airport ("SLC")
- US Airways operated four daily flights to Phoenix Sky Harbor International Airport ("PHX")
- American Eagle had one daily flight to Dallas/Fort Worth International Airport ("DFW")
- Allegiant offered two flights per week to Las Vegas McCarran International Airport ("LAS") and a seasonal flight to Los Angeles International Airport ("LAX")
- Charter flights were available from Denver Air Connection with flights to airports near Denver: Rocky Mountain Metro Airport in Jefferson County and Centennial Airport in Centennial, Colorado.

The largest number of enplanements by carrier from 2011 through 2014 has been United with approximately 86,000 enplanements in 2014. However, with the merger of American Airlines ("American") with US Airways has resulted in American having the most enplanements in 2015 with approximately 85,000 and United second with approximately 82,000.

<u>Year</u>	<u>Allegiant</u>	<u>American (Adjusted with US Airways)</u>	<u>Delta</u>	<u>United</u>	<u>Other</u>	<u>Total</u>
2011	25,825	66,713	31,588	92,441	5,529	222,096
2012	23,716	73,850	30,086	86,540	5,451	219,643
2013	20,126	75,925	29,345	84,287	8,001	217,684
2014	19,328	77,806	29,145	85,721	7,252	219,252
2015	17,797	84,849	27,255	81,928	7,119	218,948

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Management's Discussion and Analysis

### Aircraft Operations

Aircraft operations are departures or arrivals for two components:

1. Itinerant airlines – composed of air carriers, air taxi (commuter), general aviation, and military
2. Local airlines – composed of local general aviation and local military

Total aircraft operations have decreased from 2014 to 2015 year over year. The most significant decrease was in local civilian, with a total operations decrease of approximately 2,900 operations. However, there was an increase in total military operations of 1,200 operations.

<u>Year</u>	<u>Air Carrier</u>	<u>Air Taxi</u>	<u>General Aviation</u>	<u>Military</u>	<u>Local Civilian</u>	<u>Local Military</u>	<u>Total</u>
2014	3,233	12,241	17,604	1,573	10,363	1,026	46,040
2015	3,068	11,529	17,043	2,250	7,653	1,581	43,124

### Cargo Operations

Airfreight was provided primarily by FedEx, which accounted for 90% of freight in 2015 versus 89% in 2014. The other airfreight was provided by a smaller freight company and passenger air carriers. Total cargo pounds of airfreight decreased to approximately 11,024,000 pounds in 2015 from approximately 11,527,000 pounds in 2014. Revenue to the airport is generated from cargo operations through landing fees.

<u>Carrier</u>	<u>FY 2015 Pounds</u>	<u>FY 2014 Pounds</u>
FedEx	9,900,000	10,200,000
Key Lime	1,100,000	1,300,000
Passenger airlines	<u>24,000</u>	<u>27,000</u>
Total	<u>11,024,000</u>	<u>11,527,000</u>

### Rental Car Operations

#### Rental Car Revenue

Rental car revenue is comprised of four components:

- Minimum Annual Guarantee ("MAG")  
MAG is the minimum amount the rental car company must pay the Authority each month. Each rental car company has a different MAG based on the individual contract. However, they all must pay the greater of MAG or 10% of gross revenue.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Management's Discussion and Analysis

### Rental Car Operations (continued)

#### Rental Car Revenue (continued)

- Terminal rent  
Terminal rent is charged at \$30.30 per square foot. All on-airport rental car companies have a terminal space of 536 square feet.
- Service area land and building leases  
There are three rental car service area facilities. The rent received is based on the amount of land and the square feet of the building that occupies the land. All land areas are the same size, however, the building size ranges from approximately 800 to 2,100 square feet.
- Fuel sales  
The rental car companies had a fuel service area built as part of the Colorado State Infrastructure Bank ("SIB") loan as discussed below. The Authority operates the fuel site, supplies all of the fuel and charges the rental car companies a maximum mark up of \$1.00 per gallon. The total amount charged to the rental car companies is based on the Authority's purchase price of fuel.

The total rental car revenue received decreased from approximately \$1,206,000 for the 12 months ended December 31, 2014 to approximately \$1,151,000 for the 12 months ended December 31, 2015. The 2015 actual was lower than budget of \$1,250,000 due to the lower-than-expected revenue received from fuel sales. This fuel sales revenue is based on the cost of gas the airport purchased.

#### Customer Facility Charges ("CFC")

In 2009, GJRA borrowed \$4,000,000 from the SIB to finance construction of a rental car parking lot and rental car service area. The airport board approved a facility use fee of \$3.25 per on-airport rental car per day in 2007 to fund the quarterly principal and interest payments. The loan has an annual interest rate of 3% and is to be re-paid over 10 years with quarterly principal and interest payments of \$116,122 starting on September 1, 2009. The SIB loan has a remaining balance of approximately \$1,538,000 as of December 31, 2015. The CFC revenue was approximately \$599,000 and 157,000 rental days for the 12 months ended December 31, 2015 versus revenue of approximately \$495,000 and 152,000 rental days for the 12 months ended December 31, 2014. CFC revenue is restricted and used to pay the principal and interest on the SIB loan. The 2015 actual was approximately \$200,000 over the budgeted amount. The 2015 budgeted CFC revenue did not include the increase in the CFC daily rate from \$3.25 to \$3.80 in 2015.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Management's Discussion and Analysis

### Terminal Rent Revenue

Terminal rent revenue is received from four elements:

- Airline terminal space  
The airlines paid \$30.30 price per square foot for the main ticket counter with square feet ranging from approximately 600 to 3,200. In addition to the airlines' individual space, they also must pay for shared space that is utilized by all of the airlines. The shared space is comprised of three components: baggage processing area, boarding area, and ticketing area. In addition, there is an allocation for security services. The monthly shared space charge of approximately \$85,000 is prorated based on each airlines' reported enplanements. The 2015 budget was \$1,180,000 compared to 2015 actual of \$1,182,000
- Rental car counter space  
Rental car counter space rent is discussed in the rental car operations section.
- Office space  
Office space is rented to the Transportation Security Administration ("TSA"). The TSA rents approximately 8,400 square feet at a price of \$28.63 per square foot for a total annual rent of approximately \$240,000. The 2015 budget was \$240,000.
- Retail space  
Retail space rent is the greater of an annual MAG rent of approximately \$28,000 or 8.5% of annual gross revenue. The total amount of retail space rent for 2015 was approximately \$35,000 compared to a 2015 budget of \$28,000.

### Parking and Ground Transportation Revenue

The Authority has an agreement with Republic Parking Inc. to manage parking operations for the airport. Commissions from parking and ground transportation revenue were consistent with approximately \$1,291,000 for the 12 months ending December 31, 2014 and 2015 compared to a 2015 budget of \$1,167,000. The Authority has a two-tier system that requires payment to the Authority the greater of annual MAG of \$350,000 or 80.45% of gross revenues up to \$500,000 plus 91.50% of gross revenues in excess of \$500,000.

### Fuel Flowage Revenue

Fuel flowage revenue is received from two sources:

- On-airport fuel provider  
The Authority receives \$0.10 for every gallon pumped for Avgas Jet A and military Jet A; an additional \$0.10 per gallon is added to this fee for capital improvement funding, excluding commercial airlines. Fuel providers shall pay a fuel flowage fee to the Authority on all fuel sold at the airport to military, government, and general aviation aircraft fuel purchasers. Unless specified in an airline operating agreement, Part 121 air carriers are excluded from fuel flowage fees.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Management's Discussion and Analysis

### Fuel Flowage Revenue (continued)

- Aviation fuel tax disbursements  
Aviation fuel tax disbursements are made based on the formula of \$0.04 per gallon on aviation gasoline and jet fuel and 65% of the sales taxes collected on jet fuel used for commercial operations as reported to the Colorado Department of Revenue by the fuel providers.

Fuel flowage revenue increased approximately \$51,000 from approximately \$415,000 to approximately \$466,000 for the 12 months ended December 31, 2014 and 2015, respectively, compared to a 2015 budget of \$480,000.

### Other Revenue Sources

#### Landing Fees

Commercial signatory aircraft over 12,500 pounds landing weight pay a landing fee of \$1.70 per 1,000 pounds. Landing fees were down slightly from \$503,000 to approximately \$475,000 for the 12 months ended December 31, 2014 and 2015, respectively, compared to a 2015 budget of \$600,000.

#### Restaurant Revenue

The Authority is the operator of a Subway franchise located on the secured side of the airport terminal. Restaurant revenue was down slightly from \$455,000 to approximately \$447,000 for the 12 months ended December 31 2014 and 2015, respectively, compared to a 2015 budget of \$450,000

#### Land and Building Leases

The Authority leases land and buildings for general aviation hangars and other customers. The land and building leases revenue was up to approximately \$541,000 for the 12 months ended December 31, 2015, compared to a 2015 budget of \$530,000.

### Airport Financial Statements

The Authority engages in business-type activities. These are activities that are intended to recover all or a significant portion of their costs through user fee charges to external parties for goods or services. The Authority reports its business-type activities in a single enterprise fund, meaning that its activities are operated and reported like a private-sector business. The Authority's financial report includes statements of net position; statements of revenues, expenses, and changes in net position; and statements of cash flows. Also, included are notes to the financial statements that provide more detailed data. These financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB").

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Management's Discussion and Analysis

### Airport Financial Statements (continued)

#### Statements of Net Position

The statements of net position present the financial position of the Authority at the end of the fiscal year and include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Authority. The net position of the Authority represents the difference between total assets and total liabilities and is an indicator of the current fiscal health of the Authority.

A summarized comparison of the Authority's statement of financial position is as follows:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Current assets	\$ 6,866,945	\$ 4,305,552
Restricted assets	4,110,867	4,713,504
Capital assets, net	<u>58,942,759</u>	<u>62,829,977</u>
Total assets	<u>69,920,571</u>	<u>71,849,033</u>
Deferred outflows of resources	<u>331,456</u>	<u>165,627</u>
Total assets and deferred outflows of resources	<u>\$ 70,252,027</u>	<u>\$ 72,014,660</u>
Current liabilities	\$ 2,455,892	\$ 2,240,613
Non-current liabilities	<u>16,142,379</u>	<u>17,447,565</u>
Total liabilities	<u>18,598,271</u>	<u>19,688,178</u>
Deferred inflows of resources	<u>105,192</u>	<u>-</u>
Net position		
Net investment in capital assets	43,638,337	46,274,370
Restricted for debt service and capital assets	3,421,604	4,206,215
Unrestricted	<u>4,488,623</u>	<u>1,845,897</u>
Total net position	<u>51,548,564</u>	<u>52,326,482</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 70,252,027</u>	<u>\$ 72,014,660</u>

Current assets increased approximately \$2,600,000, which is attributable to the construction costs of an administration building ("Administration Building") adjacent to the main terminal in 2014, there were immaterial costs associated with the Administration Building in 2014.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Management's Discussion and Analysis

### Airport Financial Statements (continued)

#### Statements of Net Position (continued)

Non-current assets decreased approximately \$4,500,000 due to depreciation of approximately \$4,400,000. Total liabilities decreased approximately \$924,000 from the principal payment on debt. Additional increases to assets and liabilities are due to the following changes:

	December 31,	
	2015	2014
Deferred outflows	\$ 331,456	\$ 165,627
Net pension liability	\$ 2,136,600	\$ 2,135,590
Deferred inflows	\$ 105,192	\$ -

See Note 8 in the notes to the consolidated financial statements for additional discussion of pension plan, the implementation of GASB 68 and GASB 71 and the effect on the 2014 and 2015 statements of net position.

#### *Capital Assets*

During 2015, the Authority decreased its construction in progress by approximately \$2,300,000 with 97% of that cost paying for construction of the Administration Building when compared to 2014.

#### Construction in progress:

	December 31,	
	2015	2014
Airport improvement projects		
AIP - 40 Runway environmental assessments	\$ 46,257	\$ 30,917
AIP - 52 Rehabilitate runway, taxiway, and connectors	270,651	-
AIP - 53 Apron design	114,503	-
Airport self-funded projects		
Air carrier ramp design	-	41,745
Architectural and construction fees	21,368	2,218,117
Other	28,378	4,750
Total	<u>\$ 481,157</u>	<u>\$ 2,295,529</u>

Note 4 to the financial statements provides additional information on the Authority's capital asset activity.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Management's Discussion and Analysis

### Airport Financial Statements (continued)

#### Statements of Net Position (continued)

##### *Long-Term Debt*

Capital acquisitions are funded using a variety of financing mechanisms, including federal and state grants, passenger facility charges, public debt issues, and airport operating revenues. As of December 31, 2015, the Authority has approximately \$13,760,000 in outstanding bonds used to primarily finance construction of the road and public parking improvements. In addition, the Authority has approximately \$1,537,000 outstanding in a note payable to the Colorado State Infrastructure Bank to finance construction of a rental car parking lot and rental car service area. Note 6 to the financial statements provides additional information regarding the Authority's debt activities.

#### Statements of Revenues, Expenses, and Changes in Net Position

The statements of revenues, expenses, and changes in net position reflect the operating activity of the Authority for the year using the accrual basis of accounting, similar to private sector companies. The change in net position is an indicator of whether the overall fiscal condition of the Authority has improved or worsened during the year.

The change in net position for the years ended December 31, 2015 and 2014 was a reduction of approximately \$778,000 and \$967,000, respectively.

	For the Years Ended December 31,	
	2015	2014
Total operating revenues	\$ 6,400,317	\$ 6,550,426
Total non-operating revenues	879,050	944,795
Total revenues	<u>7,279,367</u>	<u>7,495,221</u>
Total operating expenses	3,942,275	3,988,342
Deprecation expense	4,379,094	4,327,249
Net non-operating expenses	749,253	798,833
Total expenses	<u>9,070,622</u>	<u>9,114,424</u>
Loss before capital contributions	(1,791,255)	(1,619,203)
Capital contributions	<u>1,013,337</u>	<u>651,741</u>
Change in net position	<u>\$ (777,918)</u>	<u>\$ (967,462)</u>

Operating revenues decreased approximately \$150,000 for the 12 months ended December 31, 2015 from 2014. The decrease was due to the lower-than-expected cost of fuel the airport sells to rental car operators. Operating expenses decreased slightly by \$46,000.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Management's Discussion and Analysis

### Airport Financial Statements (continued)

#### Statements of Revenues, Expenses, and Changes in Net Position (continued)

Non-operating revenue increased by approximately \$344,000. This was due to the increase in PFC revenue as a result in the increase in the daily PFC rate from \$3.25 to \$3.80, as previously discussed. There was also an increase in capital contributions from federal and state governments. Federal and state grants are scheduled several years in advance of funding and vary from year to year based on an airport's capital improvement program and the cost of the projects programmed each year. Capital contributions were higher in 2015 due to AIP 49, AIP 52, and AIP 53.

	December 31,	
	2015	2014
AIP - 49 Runway environmental assessments	\$ 42,190	\$ 35,784
AIP - 52 Rehabilitate runway, taxiway, and connectors	243,556	-
AIP - 53 Apron design	100,440	-
State of Colorado grants	19,110	120,200
Federal Mineral Lease District	<u>9,118</u>	<u>-</u>
Total	<u>\$ 414,414</u>	<u>\$ 155,984</u>

### Financial Contact

The Authority's financial statements are designed to present interested parties (customers, tenants, creditors, and the community) with a general overview of the Authority's finances and to demonstrate the accountability to all interested parties. If you have any questions concerning this report or need additional financial information, please contact the Grand Junction Regional Airport Authority, 800 Eagle Drive, Grand Junction, Colorado 81506 or at 970-244-9100. Additionally, the individual Authority staff members may be contacted via e-mail in the "Contact Us" section of the Authority's website.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Statements of Net Position

	December 31,	
	2015	2014 (Restated)
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 6,265,142	\$ 3,590,539
Receivables		
Accounts receivable	501,573	559,834
Grants	22,379	118,712
Prepaid expenses	77,851	36,467
Total current assets	6,866,945	4,305,552
Restricted cash, cash equivalents, and investments		
Passenger facility charges	1,779,152	2,164,679
Revenue bond reserve fund	1,460,000	1,540,000
Revenue bond sinking fund	182,452	501,536
Rental car improvements	538,310	392,574
Lease deposits	150,953	114,715
Total restricted assets	4,110,867	4,713,504
Capital assets, net	58,942,759	62,829,977
Total non-current assets	63,053,626	67,543,481
Total assets	69,920,571	71,849,033
<b>Deferred Outflows of Resources</b>		
Deferred amortization related to pension plan	331,456	165,627
Total assets and deferred outflows of resources	\$ 70,252,027	\$ 72,014,660
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 166,671	\$ 129,507
Accounts payable - capital assets	463,701	414,168
Accrued expenses	305,736	290,647
Lease deposits	150,953	114,715
Current portion of revenue received in advance	70,188	40,391
Current portion of note payable	423,096	410,638
Current portion of revenue bonds payable	875,547	840,547
Total current liabilities	2,455,892	2,240,613
Non-current liabilities		
Revenue received in advance, net of current portion	-	7,553
Notes payable, net of current portion	1,114,764	1,537,860
Revenue bonds payable, net of current portion	12,891,015	13,766,562
Net pension liability	2,136,600	2,135,590
Total non-current liabilities	16,142,379	17,447,565
Total liabilities	18,598,271	19,688,178
<b>Deferred Inflows of Resources</b>		
Deferred amortization related to pension plan	105,192	-
Total liabilities and deferred inflows of resources	18,703,463	19,688,178
Commitments and contingencies		
<b>Net Position</b>		
Net investment in capital assets	43,638,337	46,274,370
Restricted for debt service and capital assets	3,421,604	4,206,215
Unrestricted	4,488,623	1,845,897
Total net position	51,548,564	52,326,482
Total liabilities, deferred inflows of resources, and net position	\$ 70,252,027	\$ 72,014,660

See notes to financial statements.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Statements of Revenues, Expenses, and Changes in Net Position

	For the Years Ended	
	December 31,	
	2015	2014
		(Restated)
Operating revenues		
Aeronautical revenue		
Passenger airlines revenue		
Passenger airlines landing fees	\$ 474,514	\$ 502,886
Terminal rent	1,181,845	1,243,186
Other	87,015	89,495
Total passenger airlines revenue	<u>1,743,374</u>	<u>1,835,567</u>
Non-passenger airline revenue		
Landing fees from cargo	96,294	84,130
Cargo and hangar rentals	50,630	50,505
Aviation fuel tax	256,975	316,538
Fuel flowage fees	466,040	414,985
Other	11,370	8,400
Total non-passenger airline revenue	<u>881,309</u>	<u>874,558</u>
Total aeronautical revenue	<u>2,624,683</u>	<u>2,710,125</u>
Non-aeronautical revenue		
Land and building leases	541,343	536,864
Terminal - food and beverage	446,702	455,007
Terminal - retail	35,498	34,415
Terminal - other	241,466	241,465
Rental cars	1,150,665	1,205,661
Parking and ground transportation	1,290,840	1,290,743
Other	69,120	76,146
Total non-aeronautical revenue	<u>3,775,634</u>	<u>3,840,301</u>
Total operating revenues	<u>6,400,317</u>	<u>6,550,426</u>
Operating expenses		
Personnel compensation and benefits	2,063,862	1,733,417
Communications and utilities	284,701	291,679
Supplies and materials	556,840	695,044
Contract services	536,955	627,707
Repairs and maintenance	269,023	250,510
Insurance	89,692	80,384
Other	141,202	143,974
Total operating expenses	<u>3,942,275</u>	<u>3,822,715</u>
Operating income, before depreciation	2,458,042	2,727,711
Depreciation	<u>4,379,094</u>	<u>4,327,249</u>
Operating loss	(1,921,052)	(1,599,538)
Non-operating revenues (expenses)		
Passenger facility charges	874,101	897,805
Interest income	19,630	15,714
Interest expense	(749,253)	(798,833)
Customer facility charges	598,923	495,757
Capital contributions	414,414	155,984
Other (expenses) revenues	(14,681)	31,276
Total non-operating revenues	<u>1,143,134</u>	<u>797,703</u>
Change in net position	(777,918)	(801,835)
Net position at beginning of year	<u>52,326,482</u>	<u>53,128,317</u>
Net position at end of year	<u>\$ 51,548,564</u>	<u>\$ 52,326,482</u>

See notes to financial statements.

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Statements of Cash Flows**

	For the Years Ended December 31,	
	<u>2015</u>	<u>2014</u> (Restated)
Cash flows from operating activities		
Cash received from customers and users	\$ 6,480,822	\$ 6,569,404
Cash paid to vendors for goods and services	(1,904,047)	(2,150,422)
Cash paid to and for employees	<u>(2,082,823)</u>	<u>(1,883,976)</u>
Net cash provided by operating activities	<u>2,493,952</u>	<u>2,535,006</u>
Cash flows from non-capital financing activities		
Receipts of lease deposits, net	<u>36,238</u>	<u>6,730</u>
Net cash provided by non-capital financing activities	<u>36,238</u>	<u>6,730</u>
Cash flows from capital and related financing activities		
Grants received	510,747	120,200
Customer facility charges received	598,923	495,757
Passenger facility charges received	874,101	897,805
Interest paid	(753,385)	(800,159)
Acquisition and construction of capital assets	(457,055)	(2,617,307)
Proceeds from sale of assets	-	159,000
Bond reserve balance reduction	80,000	-
Principal payments on note and bonds payable	<u>(1,251,185)</u>	<u>(1,199,093)</u>
Net cash used in capital and related financing activities	<u>(397,854)</u>	<u>(2,943,797)</u>
Cash flows from investing activities		
Certificates of deposit	-	103,044
Interest received on cash equivalents	<u>19,630</u>	<u>15,714</u>
Net cash flows provided by investing activities	<u>19,630</u>	<u>118,758</u>
Net increase (decrease) in cash and cash equivalents	2,151,966	(283,303)
Cash and cash equivalents at beginning of year	<u>6,764,043</u>	<u>7,047,346</u>
Cash and cash equivalents at end of year	<u>\$ 8,916,009</u>	<u>\$ 6,764,043</u>

(Continued on the following page)

See notes to financial statements.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Statements of Cash Flows

(Continued from the previous page)

Reconciliation of loss from operations to net cash provided by operating activities:

	For the Years Ended December 31,	
	2015	2014 (Restated)
Operating loss	\$ (1,921,052)	\$ (1,599,538)
Adjustments to reconcile operating loss to net cash provided by operating activities		
Depreciation expense	4,379,094	4,327,249
Changes in certain assets and liabilities		
Receivables	58,261	55,731
Prepaid expenses	(41,384)	(3,080)
Accounts payable	37,164	(71,018)
Accrued liabilities	19,252	28,032
Net pension liability and pension related deferred inflows and outflows of resources	(59,627)	(165,627)
Revenue received in advance	22,244	(36,743)
	4,415,004	4,134,544
Net cash provided by operating activities	\$ 2,493,952	\$ 2,535,006

Non-cash investment and capital and related financing activities:

	December 31,	
	2015	2014 (Restated)
Net change in capital assets purchased with payables	\$ (34,821)	\$ (239,316)

Statements of net position cash and cash equivalents:

	December 31,	
	2015	2014 (Restated)
Operating cash	\$ 6,265,142	\$ 3,590,539
Restricted cash and cash equivalents		
Revenue bond sinking fund	182,452	501,536
Passenger facility charges	1,779,152	2,164,679
Rental car improvements	538,310	392,574
Lease deposits	150,953	114,715
Net cash and cash equivalents	\$ 8,916,009	\$ 6,764,043

See notes to financial statements.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies**

#### Organization

The Grand Junction Regional Airport Authority (the "Authority") was established in 1971 under the provisions of the Public Airport Authority Act of 1965 when all assets of the city/county-owned airport were transferred to the Authority. The Authority's Board Commissioners (the "Board") consist of seven members with three members appointed by the Mesa County Commissioners, which may include one commissioner; three members appointed by the Grand Junction City Council, including one council member; and one member appointed by the other six members, with the concurrence of the Mesa County Commissioners and the Grand Junction City Council.

As noted above, neither the city of Grand Junction nor Mesa County appoint a voting majority of the Authority's Board; however, both have signed a supplemental co-sponsorship agreement between the Authority and the Federal Aviation Administration ("FAA"). The co-sponsorship mandates that the city of Grand Junction and Mesa County would be liable for the financial commitments of the sponsor under the grant agreements should the Authority not be able to satisfy the financial commitments out of the new revenues generated by the operation of the airport.

The reporting entity of the Authority includes those activities and functions over which the Authority is considered to be financially accountable. The Authority's financial statements include the accounts and operations of all of the Authority's functions. The Authority is the primary government and does not include any component units using the criteria set forth in accounting principles generally accepted in the United States of America ("GAAP").

The Authority is a special-purpose government engaged only in business-type activities. For this type of government, only enterprise financial statements are presented.

#### Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to depreciation and useful lives and contingencies. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### Basis of Accounting

The Authority's records are maintained on the accrual basis of accounting and economic resource measurement focus in accordance with GAAP, including all applicable statements of the Governmental Accounting Standards Board ("GASB"). Revenue is recognized when earned, and expenses are recognized when the liability is incurred. Depreciation is computed and recorded as an operating expense. Expenditures for property and equipment are shown as increases in assets. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first with the exception of the debt service on the revenue bonds that is paid partially from the restricted passenger facility charges ("PFC") and partially from operating funds.

The operations of the Authority are accounted for on a fund basis in a single enterprise fund. Enterprise funds may be used to account for operations (a) that are financed and operated in a manner similar to business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or changes in net position is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

#### Cash and Cash Equivalents

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

#### Receivables

The Authority provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Authority's estimate is based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that the Authority's estimate of the allowance for doubtful accounts will change and that losses ultimately incurred could differ materially from the amounts estimated in determining the allowance. Based on the Authority's review of accounts receivable, no allowance for doubtful accounts has been established as of December 31, 2015 or 2014.

Grants receivable represent reimbursements due from the federal government for allowable costs incurred on federal award programs.

#### Budgeting Requirements

The Authority's budgeting process is a financial planning tool used to establish the estimated revenues and expenditures for the airport. The budget is prepared by the Authority and approved by the Board in accordance with the state of Colorado's *Financial Management Manual* and in accordance with Colorado Revised Statutes. The initial budget is submitted to the Board by October 15 and the Authority adopts an appropriation resolution for the next fiscal year by December 31. The Board may amend the appropriation resolution at any time during the year if warranted by circumstances.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### Budgeting Requirements (continued)

The Authority appropriates, and may not exceed appropriations, at a total fund level. Appropriations for the year ended December 31, 2015 were \$9,438,816.

The budget basis of accounting differs from the GAAP basis in that debt proceeds are included as revenue, outlays for acquisition of capital assets and debt principal payments are included as expenditures, and depreciation is not included in expenditures.

#### Restricted Assets

##### *Passenger Facility Charges*

The Authority received approval from the FAA to impose and use a PFC of \$4.50 per eligible enplaned passenger from August 2011 through August 2019. During 2007, the Authority was approved to collect PFCs of \$15,857,760. The PFCs are restricted for use in the construction of certain airport improvements and related construction debt as approved by the FAA. As of December 31, 2015, the Authority had collected \$8,378,016 of the approved charges. With approval of the FAA, the PFC receipts are recognized and recorded as non-operating revenue in the year collected. PFCs are paid by the carriers, with unexpended amounts reflected as a restriction of net position.

##### *Revenue Bond Reserve and Sinking Funds*

The debt service account is used to segregate resources accumulated for debt service payments. The bond reserve account is used to report resources set aside to subsidize potential deficiencies from operations that could adversely affect debt service payments. Unexpended amounts are reflected as a restriction of net position.

##### *Rental Car Improvements*

During 2008, the Authority began assessing a daily use fee, or Customer Facility Charge ("CFC"), of up to \$3.25 per on-airport rental car per day. These funds are being used to make payments on debt for construction of new rental car parking and on-airport rental car service areas. In 2014, the CFC was increased to \$3.80 per on-airport rental car per day.

##### *Lease Deposits*

The Authority requires lease deposits from the lessees for the duration of the lease. The deposits are refunded when the tenants vacate, provided the tenants are current on rental payments.

#### Capital Assets

Capital assets are defined by the Authority as assets with an initial, individual cost of more than \$2,500. Capital assets purchased by the Authority are stated at historical cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to fifty years. Depreciation of construction-in-progress assets begins when an asset is placed in service.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### Capital Assets (continued)

Interest incurred during construction periods is capitalized and included in the cost of property and equipment. Maintenance and repairs are expensed as incurred.

#### Long-Lived Assets

The Authority evaluates the recoverability of long-lived assets whenever events or changes in circumstances indicate that the service utility of the asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to (1) a significant decrease in the market value of an asset, (2) a significant adverse change in the extent or manner in which an asset is used, or (3) an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Authority measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The fair value is measured based on quoted market prices, if available. If quoted market prices are not available, the estimate of fair value is based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Authority to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment, and actual results may differ from assumed and estimated amounts. As of December 31, 2015 and 2014, no events or changes in circumstances were identified that would require the Authority to impair any of its long-lived assets.

#### Components of Net Position

Net investment in capital assets - This amount is derived by subtracting the outstanding debt incurred by the Airport to buy or construct capital assets shown on the statement of net position. Capital assets cannot readily be sold and converted to cash.

Restricted - This category represents restrictions imposed on the use of the Authority's resources by parties outside of the government or by law through constitutional provisions or enabling legislation. As of December 31, 2015 and 2014, the Authority reported restricted net position of \$3,421,604 and \$4,206,215, respectively, for debt service and PFCs.

Unrestricted - This category consists of net position that does not meet the definition of net investment in capital assets or restricted.

#### Revenue Received in Advance

During March 1997, the Authority granted a lease to the Bureau of Land Management ("BLM") for use of airport land for a term of 20 years. The BLM prepaid the entire lease in the amount of \$150,000. The prepayment is reflected as revenue received in advance and is being amortized over the life of the lease in the amount of \$7,500 per year. As of December 31, 2015 and 2014, the unamortized balance was \$7,500 and \$15,053, respectively.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### Revenue Received in Advance (continued)

Terminal space rentals and land and building lease payments collected in advance are recorded as a liability and recognized into revenue in the applicable period. As of December 31, 2015 and 2014, the amount of prepaid rent was \$62,688 and \$32,891, respectively.

#### Compensated Absences

In accordance with the vesting method provided under GASB Statement No. 16, *Accounting for Compensated Absences*, accumulated vacation and personal time is accrued based on assumptions concerning the probability that certain employees will become eligible to receive these benefits in the future.

#### Federal and State Grants

Outlays for airport capital improvements are subject to reimbursement from federal grant programs through the Airport Improvement Program ("AIP") of the FAA. Funds are also received for airport development from the State of Colorado. Funding provided from government grants is considered earned as the related approved capital outlays are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

#### Contributions

Certain expenditures for airport capital improvements are significantly funded through the AIP of the FAA, with certain matching funds provided by the state of Colorado, or from various state allocations of grant programs. Capital funding provided under governmental grants is considered earned as the related allowable expenditures are incurred. Grants for capital asset acquisition, facility development and rehabilitation, and eligible long-term planning studies are reported in the financial statements after non-operating revenues and expenses as capital contributions.

#### Risk Management

The Authority is exposed to various risks of loss related to torts; errors and omissions; violations of civil rights; theft of, damage to, and destruction of assets; and natural disasters. These risks are covered by commercial insurance. There has been no significant reduction in insurance coverage, and settlement amounts have not materially exceeded coverage for the current or prior three years.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 1 - Organization and Summary of Significant Accounting Policies (continued)**

#### **Pension Plan**

During the year ended December 31, 2015, the Authority implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, which revise and establish new financial reporting requirements for most governmental entities that provide their employees with pension benefits. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense; information about the fiduciary net position of the Local Government Division Trust Fund ("LGDTF"), a cost-sharing multiple-employer defined benefit pension plan (the "Plan"); and additions to/deduction from the LGDTF's fiduciary net position have been determined on the same basis as they are reported by the Public Employees' Retirement Association of Colorado ("PERA"). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

#### **Subsequent Events**

The Authority has evaluated all subsequent events through the auditors' report date. There were no material subsequent events that required recognition or disclosure.

### **Note 2 - Restatement**

The Authority's December 31, 2014 financial statements have been restated to reflect balances and activity related to the adoption of GASB Statement Nos. 68 and 71. It was not practical for the Authority to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions as of December 31, 2014. Accordingly, the beginning balances of deferred inflows of resources and deferred outflows of resources were not recognized in the December 31, 2014 financial statements, other than contributions subsequent to the measurement date in accordance with GASB Statement No. 71.

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Notes to Financial Statements**

**Note 2 - Restatement (continued)**

	December 31, 2014		
	<u>As Previously Reported</u>	<u>Effect of Restatement</u>	<u>As Restated</u>
Deferred outflows of resources			
Authority contributions subsequent to the measurement date	\$ -	\$ 165,627	\$ 165,627
Net pension liability	\$ -	\$ (2,135,590)	\$ (2,135,590)
Personnel compensation and benefits expense	\$ 1,899,044	\$ (165,627)	\$ 1,733,417
Net position			
Unrestricted - undesignated - assets limited as to use	\$ 3,815,860	\$ (2,135,590)	\$ 1,680,270
Net position - beginning of year	\$ 55,263,907	\$ (2,135,590)	\$ 53,128,317
Net position - end of year	\$ 54,296,445	\$ (1,969,963)	\$ 52,326,482

**Note 3 - Cash Deposits**

The Colorado Divisions of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. Eligible collateral includes municipal bonds, U.S. government securities, mortgages, and deeds of trust.

The Authority's deposits include the following:

	December 31,	
	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 6,265,142	\$ 3,590,539
Restricted cash	<u>4,110,867</u>	<u>4,713,504</u>
Total deposits and investments	<u>\$ 10,376,009</u>	<u>\$ 8,304,043</u>

The bank balances on deposit were \$10,552,639 and \$8,320,364 at December 31, 2015 and 2014, respectively.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 3 - Cash Deposits (continued)**

#### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Colorado statutes authorize the Authority to invest in obligations of the U.S. Treasury and U.S. agencies; obligations of the State of Colorado or of any county, school district, and certain towns and cities therein; notes or bonds secured by insured mortgages or trust deeds; obligations of national mortgage associations; certain repurchase agreements; and local government investment pools.

#### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Authority places no limit on the amount the Authority may invest in any one issuer.

#### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

#### Investments

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Colorado statutes limit authorized investments to investments having maturities of five years or less, unless the entity's governing body specifically authorizes longer maturities.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### Note 4 - Capital Assets

A summary of changes in capital assets is as follows as of December 31, 2015:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 2,416,058	\$ -	\$ -	\$ 2,416,058
Construction in progress	<u>6,583,538</u>	<u>481,157</u>	<u>-</u>	<u>7,064,695</u>
Total capital assets, not being depreciated	<u>8,999,596</u>	<u>481,157</u>	<u>-</u>	<u>9,480,753</u>
Capital assets, being depreciated				
Buildings and improvements	17,242,750	-	-	17,242,750
Land improvements	84,771,418	12,697	-	84,784,115
Equipment	<u>4,824,990</u>	<u>12,733</u>	<u>119,205</u>	<u>4,718,518</u>
Total capital assets, being depreciated	<u>106,839,158</u>	<u>25,430</u>	<u>119,205</u>	<u>106,745,383</u>
Less accumulated depreciation for				
Buildings and improvements	8,776,957	683,008	-	9,459,965
Land improvements	41,611,424	3,297,737	-	44,909,161
Equipment	<u>2,620,396</u>	<u>398,349</u>	<u>104,494</u>	<u>2,914,251</u>
Total accumulated depreciation	<u>53,008,777</u>	<u>4,379,094</u>	<u>104,494</u>	<u>57,283,377</u>
Total capital assets, being depreciated, net	<u>53,830,381</u>	<u>(4,353,664)</u>	<u>14,711</u>	<u>49,462,006</u>
Capital assets, net	<u>\$ 62,829,977</u>	<u>\$ (3,872,507)</u>	<u>\$ 14,711</u>	<u>\$ 58,942,759</u>

A summary of changes in capital assets is as follows as of December 31, 2014:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 2,416,058	\$ -	\$ -	\$ 2,416,058
Construction in progress	<u>4,288,009</u>	<u>2,295,529</u>	<u>-</u>	<u>6,583,538</u>
Total capital assets, not being depreciated	<u>6,704,067</u>	<u>2,295,529</u>	<u>-</u>	<u>8,999,596</u>
Capital assets, being depreciated				
Buildings and improvements	17,242,750	-	-	17,242,750
Land improvements	84,771,418	-	-	84,771,418
Equipment	<u>5,205,355</u>	<u>82,462</u>	<u>462,827</u>	<u>4,824,990</u>
Total capital assets, being depreciated	<u>107,219,523</u>	<u>82,462</u>	<u>462,827</u>	<u>106,839,158</u>
Less accumulated depreciation for				
Buildings and improvements	8,090,660	686,297	-	8,776,957
Land improvements	38,387,938	3,223,486	-	41,611,424
Equipment	<u>2,538,034</u>	<u>417,464</u>	<u>335,102</u>	<u>2,620,396</u>
Total accumulated depreciation	<u>49,016,632</u>	<u>4,327,247</u>	<u>335,102</u>	<u>53,008,777</u>
Total capital assets, being depreciated, net	<u>58,202,891</u>	<u>(4,244,785)</u>	<u>127,725</u>	<u>53,830,381</u>
Capital assets, net	<u>\$ 64,906,958</u>	<u>\$ (1,949,256)</u>	<u>\$ 127,725</u>	<u>\$ 62,829,977</u>

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Notes to Financial Statements**

**Note 5 - Accrued Expenses**

Accrued expenses consist of the following:

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Vacation	\$ 161,000	\$ 128,000
Compensation and related	60,065	52,399
Interest	58,985	63,148
Other	<u>25,686</u>	<u>47,100</u>
	<u>\$ 305,736</u>	<u>\$ 290,647</u>

**Note 6 - Long-Term Debt**

Changes in long-term obligations for the year ended December 31, 2015 are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due in</u> <u>One Year</u>
Revenue bonds, Series 2007	\$14,600,000	\$ -	\$ (840,000)	\$13,760,000	\$ 875,000
Bond premium	7,109	-	(547)	6,562	547
Colorado State Infrastructure Bank loan	<u>1,948,498</u>	<u>-</u>	<u>(410,638)</u>	<u>1,537,860</u>	<u>423,096</u>
Total long-term obligations	<u>\$16,555,607</u>	<u>\$ -</u>	<u>\$ (1,251,185)</u>	<u>\$15,304,422</u>	<u>\$ 1,298,643</u>

Changes in long-term obligations for the year ended December 31, 2014 are as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due in</u> <u>One Year</u>
Revenue bonds, Series 2007	\$15,400,000	\$ -	\$ (800,000)	\$14,600,000	\$ 840,000
Bond premium	7,656	-	(547)	7,109	547
Colorado State Infrastructure Bank loan	<u>2,347,044</u>	<u>-</u>	<u>(398,546)</u>	<u>1,948,498</u>	<u>410,638</u>
Total long-term obligations	<u>\$17,754,700</u>	<u>\$ -</u>	<u>\$ (1,199,093)</u>	<u>\$16,555,607</u>	<u>\$ 1,251,185</u>

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Notes to Financial Statements**

**Note 6 - Long-Term Debt (continued)**

2007 Bonds

The Authority issued Airport Revenue Bonds, Series 2007, dated May 1, 2007, in the amount of \$19,560,000, for the purpose of funding a portion of the costs of new road improvements to the airport and refunding the 2003 Series bonds. The bonds are secured by net operating revenues of the Authority and a reserve account in the amount of \$1,460,000 funded from the net proceeds of the bonds. The bonds bear interest from 4.4% to 5.0% with interest payable semi-annually on June 1 and December 1, with principal payable annually on December 1 and maturing on December 1, 2027.

The debt service requirements to maturity, excluding any unamortized premium are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 875,000	\$ 662,313	\$ 1,537,313
2017	910,000	622,938	1,532,938
2018	955,000	581,988	1,536,988
2019	1,000,000	534,235	1,534,235
2020	1,050,000	484,238	1,534,238
2021-2025	6,100,000	1,586,988	7,686,988
2026-2027	<u>2,870,000</u>	<u>206,150</u>	<u>3,076,150</u>
	<u>\$ 13,760,000</u>	<u>\$ 4,678,850</u>	<u>\$ 18,438,850</u>

Colorado State Infrastructure Bank Note

The Authority borrowed \$4,000,000 from the Colorado State Infrastructure Bank on May 29, 2009 for the purpose of funding complete reconstruction of the rental car parking lot, including construction and installation of all supporting infrastructure and the design phase of the vehicle service area. The note is secured by an on-airport rental car facility fee. The note carries an interest rate of 3% and is to be paid in quarterly installments of principal and interest of \$116,122 through June 2019.

The debt service requirements to maturity are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 423,096	\$ 41,391	\$ 464,487
2017	435,932	28,555	464,487
2018	449,158	15,329	464,487
2019	<u>229,674</u>	<u>2,571</u>	<u>232,245</u>
	<u>\$ 1,537,860</u>	<u>\$ 87,846</u>	<u>\$ 1,625,706</u>

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 7 - Future Rental Revenue**

The Authority leases a portion of its property under non-cancelable operating lease agreements for airline operations, concessions, and other commercial and private purposes.

The following is a summary of approximate future minimum rental payments to be received under non-cancelable operating leases:

#### Year Ending December 31,

2016	\$	1,272,000
2017		1,177,000
2018		1,126,000
2019		1,020,000
2020		504,000
Thereafter		<u>1,169,000</u>
	\$	<u>6,268,000</u>

### **Note 8 - Pension Plans**

#### Defined Benefit Pension Plan

##### *Plan Description*

The Authority contributes to the LGDTF, a cost-sharing multiple-employer defined benefit pension plan administered by PERA. The LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the Authority are members of the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes ("CRS"), as amended, assigns the Authority to establish benefit provisions to the state legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the LGDTF. That report may be obtained online at [www.copera.org](http://www.copera.org); by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203; or by calling PERA at 1-800-759-PERA (7372) or 303-832-9550.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 8 - Pension Plans (continued)**

#### Defined Benefit Pension Plan (continued)

##### *Funding Policy*

The Authority is required to contribute member and employer contributions to PERA at a rate set by Colorado statute. The contribution requirements of plan members and the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate is 8.00% of covered salary for members and 10.00% of covered salary for the Authority. A portion of the Authority's contribution (1.02% of covered salary) is allocated for the Health Care Trust Fund. The Authority is also required to pay an amortized equalization disbursement ("AED") equal to 2.20% of the total payroll for the calendar year 2015. Additionally, the Authority is required to pay a supplemental amortization equalization disbursement ("SAED") equal to 1.50% of the total payroll for the calendar year 2015. If the Authority rehires a PERA retiree as an employee or under any other work arrangement, it is required to report and pay employer contributions (including AED and SAED) on the amounts paid for the retiree; however, no member contributions are required. The Authority's contributions to LGDTF for the years ended December 31, 2015 and 2014 were \$201,249 and \$178,950 (as restated), respectively, equal to their required contributions for each year.

##### *Benefits Provided*

LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. Retirement benefits are based upon a defined or fixed multiplier, age, years of credited services, and Highest Average Salary ("HAS"). For most employees, HAS is one-twelfth of the average of the highest annual salaries that are associated with three periods of 12 consecutive months under PERA-covered employment. The basic retirement benefit equals  $2.5\% \times HAS \times \text{Years of Service}$ . Employees with 25 years of continuous service are eligible to retire at age 50. Employees are eligible for service-related disability benefits with five or more years of service. Disability benefits are divided into a two-tier disability program consisting of a short-term disability program and a disability retirement benefit. At benefit commencement, the member can choose from different payment options, some of which can continue after the retiree's death to a named beneficiary, and for which the benefit amount is appropriately adjusted.

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

At December 31, 2015 and 2014 the Authority reported a liability of \$2,136,600 and \$2,135,590, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014 and 2013, and the total pension liability used to calculate the net pension liability was determined as of December 31, 2014 using standard roll-forward techniques on an actuarial valuation as of December 31, 2013. The Authority's proportion of the net pension liability was based on a projections of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating local governments, actuarially determined. At December 31, 2014, the Authority's proportion was 0.2384%, which was a decrease of 0.0227% from its proportion measured as of December 31, 2013.

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Notes to Financial Statements**

**Note 8 - Pension Plans (continued)**

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

For the years ending December 31, 2015 and 2014, the Authority recognized pension expense of \$141,624 and \$190,796. At December 31, 2014, the Authority reported deferred outflows of resources related to the Authority contributions subsequent to the measurement date of \$165,627. At December 31, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>December 31, 2015</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 429
Net difference between projected and actual earnings on pension plan investments	115,868	-
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	14,339	104,763
The Authority contributions subsequent to the measurement date	<u>201,249</u>	<u>-</u>
Total	<u>\$ 331,456</u>	<u>\$ 105,192</u>

Deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date of \$201,249 will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year Ending December 30,**

2016	\$ (47,192)
2017	12,689
2018	30,551
2019	<u>28,967</u>
	<u>\$ 25,015</u>

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 8 - Pension Plans (continued)**

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

##### *Actuarial Assumptions*

The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.80%
Salary increases	3.90% - 10.85%, average, including inflation
Long-term investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA to 2020 with males set back one year, and females set back two years.

The LGDTF total pension liability was determined by actuarial valuations as of December 31, 2013, and accepted actuarial procedures were applied to roll forward the pension liability to December 31, 2014. The actuarial assumptions used in the December 31, 2013 valuations were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equity - large-cap	26.76 %	5.00 %
U.S. equity - small-cap	4.40	5.19 %
Non-U.S. equity - developed	22.06	5.29 %
Non-U.S. equity - emerging	6.24	6.76 %
Core fixed income	24.05	0.98 %
High yield	1.53	2.64 %
Long duration government/credit	0.53	1.57 %
Emerging market bonds	0.43	3.04 %
Real estate	7.00	5.09 %
Private equity	7.00	7.15 %
Total	100 %	

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 8 - Pension Plans (continued)**

#### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

##### *Discount Rate*

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that contributions from the local governments will be made at equal to the fixed statutory rates specified in law, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

##### *Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Authority's proportionate share of the net pension liability	\$ 3,489,303	\$ 2,136,600	\$ 1,008,843

##### *Pension Plan Fiduciary Net Position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERA LGDTF financial report.

##### Post-Employment Health Care Benefits

##### *Plan Description*

The Authority contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy to PERA-participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the state legislature. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained online at [www.copera.org](http://www.copera.org); by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203; or by calling PERA at 1-800-759-PERA (7372) or 303-832-9550.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 8 - Pension Plans (continued)**

#### *Funding Policy*

The Authority is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 41, Section 208 of the CRS, as amended. The Authority's contributions to HCTF for the years ended December 31, 2015 and 2014 were \$14,947 and \$13,323, respectively, equal to their required contributions for each year.

#### Defined Contribution Plan

The Authority has a 401(k) Plan (the "Plan") to provide retirement and incidental benefits for its full-time employees who have completed at least one year of service. The Authority matches employee contributions dollar for dollar up to a maximum of 4% of the employee's gross pay per calendar year. All matching contributions vest immediately. In addition, the Plan provides for discretionary contributions as determined by the Authority's Board. Such contributions to the Plan are allocated among eligible participants in proportion of their salaries to the total salaries of all participants. For the years ended December 31, 2015 and 2014, the Authority's contributions to the Plan totaled \$31,280 and \$31,647, respectively.

### **Note 9 - Commitments and Contingencies**

#### Tax, Spending, and Debt Limitations

In November 1992, voters passed an amendment to the Constitution of the State of Colorado, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment excludes enterprises from its provisions. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of their annual revenue in grants from all state and local governments combined, are excluded from the provisions of the amendment. It is the Authority's opinion that it qualifies for the exclusion and is, therefore, excluded from the provisions of the amendment.

#### Federally Assisted Grant Programs

The Authority participates in federally assisted grant programs. These programs are subject to the provisions of the Single Audit Act of 1996 and the Uniform Grant Guidance. The amount, if any, of expenditures that may be disallowed by the granting agency cannot be determined at this time; although, the Authority expects such amounts, if any, to be immaterial.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 9 - Commitments and Contingencies (continued)**

#### Contingencies

The Authority learned of a criminal investigation into its affairs by the U.S. Department of Justice ("DOJ") in November 2013. The criminal investigation of the airport was concluded on May 12, 2014, by execution of a Non-Prosecution Agreement between the Authority and the DOJ. Pursuant to that agreement, the U.S. government agreed not to prosecute the Authority criminally, in light of substantial remediation and cooperation already completed by the Authority, and in exchange for the pledge by the Authority to complete plans to enhance compliance infrastructure at the airport and to continue to cooperate with the U.S. government in its ongoing investigation into matters involving public corruption, procurement integrity, and fraud associated with the affairs of the Authority in the past. Performance of the Authority's obligations under the Non-Prosecution Agreement is continuing.

The DOJ is conducting a civil investigation relating to the same subject matter as the criminal investigation that led to the execution, on May 12, 2014, of a Non-Prosecution Agreement between the Authority and the DOJ. It is not unusual in such circumstances for the U.S. government or a private party acting in the interests of the U.S. government to assert civil claims on behalf of the U.S. government under the federal False Claims Act. The Non-Prosecution Agreement concluded with the DOJ and did not address or resolve the civil investigation, and did not preclude assertion of civil claims. Such a civil action, whether brought directly by the U.S. Government, or by a private individual acting *qui tam*, would be filed under seal in federal district court. If such an action were filed, the Authority would defend the action vigorously.

The Authority is also aware of the existence of an unasserted administrative claim of the FAA against the Authority in the estimated amount of \$500,000 for funds reimbursed to the Authority for the electrification of the Authority's perimeter security fence, which the FAA reportedly now considers to have been an unallowable cost mistakenly reimbursed by the FAA. The Authority does not know at this time whether the FAA will assert such claim against the Authority.

# GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

## Notes to Financial Statements

### **Note 10 - Service Concession Arrangements**

In April 2011, the Authority renewed an agreement with Republic Parking ("Republic"), a privately held corporation, under which Republic will operate, maintain, and retain fees from the airport's terminal building public parking areas through March 2016. In January 2016, the current agreement was extended for one additional five-year term terminating on March 31, 2021 at the mutual agreement of the Authority and Republic. Republic is required to operate and maintain the public parking areas in accordance with the Parking Lot Operating Agreement; this agreement also regulates the parking rates and fees that may be charged. In consideration of its operating rights hereunder, Republic shall pay the Authority the greater of (a) the Applicable Percentage of Annual Gross Revenues, or (b) the Minimum Annual Guarantees for each year the Agreement is in effect as amended. The term "Applicable Percentage of Annual Gross Revenues" means 80.45% of gross revenues from \$0 up to, and including \$500,000 plus 91.50% of gross revenues in excess of \$500,000. The term "Minimum Annual Guarantees" means for each year the Agreement is in effect, as amended, and shall be \$350,000 each year. Pursuant to the service concession arrangement, except for personal property of Republic, which may be removed from the premises by the Authority at the termination of this Agreement, title to any equipment and improvements installed or furnished by Republic shall vest in the Authority upon installation of such equipment and improvements. The Authority reports the public parking areas and related improvements as capital assets with a carrying amount of approximately \$10,372,000 at year end.

In May 2015, the Authority renewed agreements with various rental car companies or concessionaires, under which the rental car companies are granted the right to operate and retain fees from a non-exclusive rental car concession from the Authority, lease motor vehicles from the rental car office and ticket counter area located in the airport terminal building assigned to the respective companies, and to park and store motor vehicles owned or leased by it in the parking lot spaces assigned to the respective companies through April 2020. The rental car companies are required to operate and maintain the rental car areas in accordance with the Airport Facilities Lease and Rental Car Concession Agreement. In consideration of its operating rights hereunder, the rental car companies shall pay the Authority the guaranteed minimum concession fee set forth for each period of the concession term set forth on the bid proposal, or 10% of their gross revenue for each such period of the concession term, whichever amount is greater. For each of the subsequent years of the concession term, the annual guaranteed minimum concession shall be the year-one MAG or 85% of 10% of their previous contract year's annual gross revenue, whichever is greater. Pursuant to the service concession arrangement, upon such expiration or termination of this Agreement, title to all improvements, additions, and fixtures erected or installed upon the terminal office and ticket counter area and rental car parking lot area by the Authority or the rental car companies shall automatically vest in the Authority, without payment by the Authority to the respective rental car companies of any compensation whatsoever, and shall thereafter be owned by the Authority free and clear of any claim of right, title, or interest of the respective rental car companies, any mortgagee, or of any third party of any kind or nature whomsoever. The Authority reports the rental car areas and related improvements as capital assets with a carrying amount of approximately \$2,846,000 at year end.

In 2015, the minimum concession fees were approximately \$702,000.

(THIS PAGE INTENTIONALLY LEFT BLANK)

**ACCOMPANYING INFORMATION**

(THIS PAGE INTENTIONALLY LEFT BLANK)

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Required Supplementary Information  
Schedule of the Authority's Proportionate Share of the Net Pension Liability  
Local Government Division Trust Pension Plan**

	<u>December 31,</u>	
	<u>2014</u>	<u>2013</u>
Authority's proportion of the net pension liability	0.23838 %	0.26113 %
Authority's proportionate share of the net pension liability	\$ 2,136,600	\$ 2,148,912
Authority's covered-employee payroll	\$ 1,389,005	\$ 1,444,734
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	153.82 %	148.74 %
Plan fiduciary net position as a percentage of the total pension liability	80.72 %	77.66 %

Note: The amounts presented for each fiscal year were determined as of December 31.

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Required Supplementary Information  
Schedule of Authority's Contributions  
Local Government Division Trust Pension Plan**

	<u>December 31,</u>	
	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 200,476	\$ 165,627
Contributions in relation to the contractually required contributions	<u>(201,249)</u>	<u>(165,627)</u>
Contribution deficiency (excess)	<u>\$ (773)</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 1,559,838	\$ 1,389,005
Contributions as a percentage of covered-employee payroll	12.85 %	11.92 %

**Note to Required Supplementary Information**

There were no changes to benefit terms, changes in the size or composition of the population covered by benefit terms, or the use of different assumptions, which would affect trends significantly in the amounts reported for the Plan during the years ended December 31, 2015 and 2014.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners  
Grand Junction Regional Airport Authority  
Grand Junction, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Grand Junction Regional Airport Authority (the "Authority") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated March 11, 2016.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting ("Internal Control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's Internal Control. Accordingly, we do not express an opinion on the effectiveness of the Authority's Internal Control.

A deficiency in Internal Control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in Internal Control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in Internal Control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of Internal Control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in Internal Control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in Internal Control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **COMPLIANCE AND OTHER MATTERS**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

## **PURPOSE OF THIS REPORT**

The purpose of this report is intended solely to describe the scope of our testing of Internal Control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's Internal Control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's Internal Control and compliance. Accordingly, this communication is not suitable for any other purpose.

*EKS+H LLLP*

EKS&H LLLP

March 11, 2016  
Denver, Colorado

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE  
PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES**

Grand Junction Regional Airport Authority  
Board of Commissioners  
Grand Junction, Colorado

**COMPLIANCE**

We have audited the Grand Junction Regional Airport Authority's (the "Authority") compliance with the compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies* (the "Guide"), issued by the Federal Aviation Administration, for its passenger facility charge program for the year ended December 31, 2015. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above occurred that could have a direct and material effect on the passenger facility charge program. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

**OPINION**

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that could have a direct and material effect on the passenger facility charge program for the year ended December 31, 2015.

## INTERNAL CONTROL OVER COMPLIANCE

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on the passenger facility charge program to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of an internal control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, non-compliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Honorable Mayor, Members of the Board of the County Commissioners, management of the Authority, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

*EKS&H LLLP*

EKS&H LLLP

March 11, 2016  
Denver, Colorado

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Schedule of Expenditures of Passenger Facility Charges  
For the Year Ended December 31, 2015**

Grantor/Program	Application Approved Number	Unliquidated Passenger Facility Charges at December 31, 2014	Passenger Facility Charge Revenue	Expenditures	Unliquidated Passenger Facility Charges at December 31, 2015
Passenger facility charges	06-07-C-02-GJT	\$ 2,164,679	\$ 842,873	\$ (1,228,400)	\$ 1,779,152

See accompanying notes to schedule of expenditures of passenger facility charges.

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY**

**Notes to Schedule of Expenditures of Passenger Facility Charges  
For the Year Ended December 31, 2015**

**Note 1 - Basis of Presentation**

The schedule of expenditures of passenger facility charges includes agreements entered into directly between the the Authority and the Federal Aviation Administration ("FAA"). The information in this schedule is prepared on the accrual basis of accounting and is presented in accordance with the provisions of the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the FAA in September 2000.

**Note 2 - Passenger Facility Charges**

Revenue consists of passenger facility fees and investment earnings on restricted cash related to passenger facility charges. Expenditures represent airport construction-related costs incurred at the Aviation Department. Unliquidated passenger facility charges represent the net restricted cash and passenger facility fees receivable and accounts payable as of year end.

**APPENDIX B**

**FORMS OF BOND COUNSEL OPINIONS**

(THIS PAGE INTENTIONALLY LEFT BLANK)

November 22, 2016

Grand Junction Regional Airport Authority  
Grand Junction, Colorado

RBC Capital Markets, LLC  
Denver, Colorado

Re: Grand Junction Regional Airport Authority  
General Airport Revenue and Refunding Bonds, 2016A (Non-AMT) — \$16,975,000

Ladies and Gentlemen:

We have acted as bond counsel to Grand Junction Regional Airport Authority (the “Authority”) and have examined a certified transcript of the proceedings taken in the matter of the issuance by the Authority of its General Airport Revenue and Refunding Bonds, 2016A (Non-AMT), in the aggregate principal amount of \$16,975,000 (the “2016A Bonds”), issued for the purposes of (i) refunding certain outstanding revenue bonds of the Authority, (ii) undertaking certain capital projects at the Grand Junction Regional Airport, and (iii) paying issuance costs. The 2016A Bonds are issued pursuant to Resolution No. 2016-007 adopted by the Board of Commissioners (the “Bond Resolution”). Capitalized terms used herein which are not otherwise defined shall have the meanings given such terms in the Bond Resolution. Simultaneously with the issuance of the 2016A Bonds, the Authority is issuing its General Airport Revenue and Refunding Bonds, 2016B (Taxable) (the “2016B Bonds”).

The 2016A Bonds are subject to redemption prior to their stated maturities as provided in the Bond Resolution and the Bond Purchase Contract.

Regarding questions of fact material to our opinion, we have relied on representations of the Authority in the Bond Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The 2016A Bonds have been legally issued and constitute valid and binding obligations of the Authority, except to the extent that the enforcement of the rights and remedies of the owners of the 2016A Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases. Both principal of and interest on the 2016A Bonds are payable solely out of a special fund of the Authority designated as the “Grand Junction Regional Airport Authority Revenue Bond Fund, 2016” (the “Bond Fund”) and the Common Reserve Fund.

2. The Authority has obligated and bound itself to set aside and pay into the Bond Fund out of Net Revenues and money in the Revenue Fund amounts sufficient to pay the principal of and interest on the 2016A Bonds as the same become due. The Authority has further bound itself to pay into the Revenue Fund, as collected, all Gross Revenue.

3. The Authority has further pledged in the Bond Resolution that payments to be made out of Gross Revenue and money in the Revenue Fund into the Bond Fund and into the Common Reserve Fund shall be a first and prior lien and charge upon the Gross Revenue, subject to the payment of Operating Expenses of the Authority and equal in rank to the lien and charge upon such Gross Revenue of the amounts required to pay and secure the

payment of the 2016B Bonds and any other revenue bonds hereafter issued on a parity therewith as provided in the Bond Resolution. The Authority has reserved the right to issue bonds in the future with a lien against the Net Revenues on a parity with the lien thereon of the 2016A Bonds and 2016B Bonds.

4. Interest on the 2016A Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2016A Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations, and interest on the 2016A Bonds is exempt from Colorado income tax under laws of the State of Colorado in effect as of the date hereof. The opinion set forth in the preceding sentence is subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), that must be satisfied subsequent to the issuance of the 2016A Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority has covenanted to comply with all applicable requirements. Failure to comply with certain of such covenants may cause interest on the 2016A Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2016A Bonds.

The Authority has not designated the 2016A Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2016A Bonds. Owners of the 2016A Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2016A Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP

November 22, 2016

Grand Junction Regional Airport Authority  
Grand Junction, Colorado

RBC Capital Markets, LLC  
Denver, Colorado

Re: Grand Junction Regional Airport Authority  
General Airport Revenue and Refunding Bonds, 2016B (Taxable) — \$2,695,000

Ladies and Gentlemen:

We have acted as bond counsel to Grand Junction Regional Airport Authority (the “Authority”) and have examined a certified transcript of the proceedings taken in the matter of the issuance by the Authority of its General Airport Revenue and Refunding Bonds, 2016B (Taxable), in the aggregate principal amount of \$2,695,000 (the “2016B Bonds”), issued for the purposes of (i) refunding certain outstanding Authority bonds, (ii) undertaking certain capital projects at the Grand Junction Regional Airport, and (iii) paying issuance costs. The 2016B Bonds are issued pursuant to Resolution No. 2016-007 adopted by the Board of Commissioners (the “Bond Resolution”). Capitalized terms used herein which are not otherwise defined shall have the meanings given such terms in the Bond Resolution. Simultaneously with the issuance of the 2016B Bonds, the Authority is issuing its General Airport Revenue and Refunding Bonds, 2016A (Non-AMT) (the “2016A Bonds”).

The 2016B Bonds are not subject to redemption prior to their stated maturities.

Regarding questions of fact material to our opinion, we have relied on representations of the Authority in the Bond Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The 2016B Bonds have been legally issued and constitute valid and binding obligations of the Authority, except to the extent that the enforcement of the rights and remedies of the owners of the 2016B Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases. Both principal of and interest on the 2016B Bonds are payable solely out of a special fund of the Authority designated as the “Grand Junction Regional Airport Authority Revenue Bond Fund, 2016” (the “Bond Fund”) and the Common Reserve Fund.

2. The Authority has obligated and bound itself to set aside and pay into the Bond Fund out of Net Revenues and money in the Revenue Fund amounts sufficient to pay the principal of and interest on the 2016B Bonds as the same become due. The Authority has further bound itself to pay into the Revenue Fund, as collected, all Gross Revenue.

3. The Authority has further pledged in the Bond Resolution that payments to be made out of Gross Revenue and money in the Revenue Fund into the Bond Fund and into the Common Reserve Fund shall be a first and prior lien and charge upon the Gross Revenue, subject to the payment of Operating Expenses of the Authority and equal in rank to the lien and charge upon such Gross Revenue of the amounts required to pay and secure the payment of the 2016A Bonds and any other revenue bonds hereafter issued on a parity therewith as provided in the

Bond Resolution. The Authority has reserved the right to issue bonds in the future with a lien against the Net Revenues on a parity with the lien thereon of the 2016A Bonds and 2016B Bonds.

4. Interest on the 2016B Bonds is not excludable from gross income for federal income tax purposes under existing law. Interest on the 2016B Bonds is exempt from Colorado income tax under laws of the State of Colorado in effect as of the date hereof.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the 2016B Bonds. Owners of the 2016B Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2016B Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is given as of the date hereof, and we assume no obligation to update, revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,

K&L GATES LLP

## **APPENDIX C**

### **DTC AND ITS BOOK-ENTRY SYSTEM**

(THIS PAGE INTENTIONALLY LEFT BLANK)

## **DTC AND ITS BOOK-ENTRY ONLY SYSTEM**

*The following information has been provided by The Depository Trust Company, New York, New York (“DTC”). The Authority makes no representation regarding the accuracy or completeness thereof. Each actual purchaser of a Bond (a “Beneficial Owner”) should therefore confirm the following with DTC or the Participants (as hereinafter defined).*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the aggregate principal amount of the Bonds, and will be deposited with DTC.

2. 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 (the “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 (the “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).

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

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

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the

Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Registrar, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Authority or the Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

10. To the extent permitted by law, the Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

**APPENDIX D**

**COPY OF THE BOND RESOLUTION**

**(SEE ATTACHED)**

(THIS PAGE INTENTIONALLY LEFT BLANK)

BOND RESOLUTION

GRAND JUNCTION REGIONAL AIRPORT AUTHORITY

---

RESOLUTION NO. 2016-007

A RESOLUTION of the Board of Commissioners of the Grand Junction Regional Airport Authority authorizing the issuance and sale of revenue and refunding bonds in one or more series in the aggregate principal amount of not to exceed \$24,000,000, for the purpose of refunding certain outstanding revenue bonds of the Authority and undertaking capital improvements to Airport facilities; setting forth certain bond terms and covenants; and delegating authority to approve final terms and conditions and the sale of the bonds.

ADOPTED: October 18, 2016

**Grand Junction Regional Airport Authority**  
**Resolution No. 2016-007**  
**Table of Contents\***

		<u>Page</u>
Section 1.	Definitions.....	3
Section 2.	Plan of Finance .....	19
Section 3.	Authorization of Bonds.....	19
Section 4.	Bond Details.....	20
Section 5.	Redemption and Purchase.....	22
Section 6.	Registration, Exchange and Payments.....	25
Section 7.	Priority of Use of Gross Revenue .....	31
Section 8.	Bond Fund.....	32
Section 9.	Common Reserve Fund.....	33
Section 10.	Defeasance .....	37
Section 11.	Specific Covenants.....	38
Section 12.	Tax Covenants .....	41
Section 13.	Defaults and Remedies .....	41
Section 14.	Sale of Bonds .....	45
Section 15.	Form of Bonds and Registration Certificate .....	49
Section 16.	Execution .....	52
Section 17.	Lost, Stolen, Mutilated or Destroyed Bonds.....	53
Section 18.	Undertaking to Provide Ongoing Disclosure.....	53
Section 19.	Bond Insurance .....	53
Section 20.	Application of Project Bond and Refunding Bond Proceeds; Refunding Procedures.....	54
Section 21.	Issuance of Future Parity Bonds .....	57
Section 22.	Refunding Bonds .....	58
Section 23.	Adoption of Supplemental Resolutions and Purposes Thereof .....	59
Section 24.	Severability .....	62
Section 25.	Recording and Authentication .....	62
Section 26.	Effective Date .....	63
Exhibit A	Form of Escrow Agreement	
Exhibit B	Form of Costs of Issuance Agreement	

---

\* This Table of Contents and the cover page are for convenience of reference and are not intended to be a part of this resolution.

RESOLUTION NO. 2016-007

A RESOLUTION of the Board of Commissioners of the Grand Junction Regional Airport Authority authorizing the issuance and sale of revenue and refunding bonds in one or more series in the aggregate principal amount of not to exceed \$24,000,000, for the purpose of refunding certain outstanding revenue bonds of the Authority and undertaking capital improvements to Airport facilities; setting forth certain bond terms and covenants; and delegating authority to approve final terms and conditions and the sale of the bonds.

WHEREAS, the Grand Junction Regional Airport Authority, Mesa County, Colorado (the “Authority”) is a legally and regularly created, established, organized, and existing political subdivision of the State of Colorado, pursuant to the provisions of Title 41, Article 3, C.R.S. (the “Act”); and

WHEREAS, the Authority presently operates the airport known as Grand Junction Regional Airport (the “Airport”); and

WHEREAS, the Authority has determined and declared the necessity of designing, developing, constructing, improving and equipping certain improvements and facilities located at the Airport (the “Project”); and

WHEREAS, there are not sufficient funds on hand in the treasury of the Authority to pay the costs of the Projects; and

WHEREAS, the Authority has outstanding its General Airport Revenue Bonds, Series 2007 maturing and bearing interest as follows:

<u>Maturity Date (December 1)</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>CUSIP Number</u>
2016	4.50%	\$ 875,000	931637CT7
2017	4.50	910,000	931637CU4
2022*	5.00	5,270,000	931637CV2
2027*	4.75	6,705,000	931637CW0

\* Term Bonds.

(the “2007 Bonds”); and

WHEREAS, the 2007 Bonds are subject to redemption prior to their scheduled maturity on and after December 1, 2017 at a price of par, in whole on any date, or in part on any interest payment date as determined by the Authority; and

WHEREAS, the Board of Commissioners of the Authority (the “Board”) has determined that substantial savings may be generated from the refunding of the 2007 Bonds; and

WHEREAS, the Board, pursuant to the provisions of the Act, is authorized to issue revenue bonds of the Authority for the purpose of acquiring and improving the Airport and related facilities and refunding such bonds, and pledging to the payment of said bonds the income derived and to be derived from the operation of the Airport; and

WHEREAS, the Board hereby determines that it is necessary at this time to authorize the issuance of its general airport revenue and refunding bonds in one or more series, to be dated their date of issuance (collectively hereinafter defined as the “Bonds”), the proceeds of which shall be devoted to such purposes, pursuant to C.R.S. §11-57-101, *et seq.* and §11-57-202, *et seq.*; and

WHEREAS, it is necessary to provide for the issuance of the Bonds in said amounts, for the form of the Bonds and payment therefor; and

WHEREAS, the Board wishes to delegate to the Chairman or Vice Chairman the authority to accept the offer of the Underwriter and negotiate the terms of the Bonds, so long as

such offer meets the requirements set out in this resolution and is determined to comply with the applicable provisions of the law, to meet all of the necessary terms and conditions for said issuance and sale, and to be sufficient to accomplish the purpose stated above for such Bonds; and

WHEREAS, the Board has determined to authorize the issuance of the herein authorized Bonds pursuant to §11-57-101, *et seq.* and §11-57-201, *et seq.* of the Act, and to provide for the form of such Bonds and the method of payment therefore; and

WHEREAS, it is deemed necessary and desirable that the Bonds be sold pursuant to negotiated sale as herein provided;

THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE GRAND JUNCTION REGIONAL AIRPORT AUTHORITY, MESA COUNTY, COLORADO, as follows:

Section 1.     Definitions. Unless otherwise defined herein, the following terms shall have the following meanings in this resolution:

***Acquired Obligations*** mean the Federal Securities acquired by the Authority pursuant to Section 20(b) of this resolution and the Escrow Agreement, if any, to effect the defeasance and refunding of all or a portion of the 2007 Bonds.

***Accreted Value*** means (1) with respect to any Capital Appreciation Bonds, as of any date of calculation, the sum of the amount set forth in this resolution as the amount representing the initial principal amount of such Parity Bonds plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (2) with respect to Original Issue Discount Bonds, as of the date of calculation, the amount representing the initial public offering price of such Parity Bonds plus the amount of discounted principal which has accreted since the

date of issue. In each case the Accreted Value shall be determined in accordance with the provisions of the resolution authorizing the issuance of such Parity Bonds.

***Aggregate Annual Debt Service*** means Annual Debt Service for all Outstanding Parity Bonds.

***Airport*** means the airport and air navigation facilities owned by the Authority and located in Mesa County, Colorado, known commonly as “Grand Junction Airport,” and, as herein used, shall include not only the property and facilities comprising said airport at the present time, but shall also include all additions and improvements thereto and all betterments, improvements, expansions, and extensions thereof, hereafter constructed, acquired, or otherwise provided by the Authority.

***Annual Debt Service*** means the total amount of Debt Service for any Parity Bond or series of Parity Bonds in any Fiscal Year or Base Period.

***Authority*** means the Grand Junction Regional Airport Authority, Mesa County, Colorado.

***Balloon Maturity Parity Bonds*** means any Parity Bonds which are so designated in the resolution pursuant to which such Parity Bonds are issued. Commercial paper (obligations with a maturity of not more than 270 days from the date of issuance) shall be deemed to be Balloon Maturity Parity Bonds.

***Base Period*** means any consecutive 12-month period selected by the Authority out of the 30-month period next preceding the date of issuance of an additional series of Parity Bonds.

***Beneficial Owner*** means any person that has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries).

**Board** means the Board of Commissioners of the Authority.

**Bond Counsel** means a firm of lawyers nationally recognized and accepted as bond counsel and so employed by the Authority for any purpose under this resolution applicable to the use of that term.

**Bonds** mean, collectively, the 2016A Bonds and the 2016B Bonds.

**Bond Fund** means the Grand Junction Regional Airport Authority Revenue Bond Fund created in the office of the Treasurer by Section 8(a) of this resolution.

**Bond Insurance Commitment** means the commitment(s) of the Bond Insurer, if any, to insure one or more series, or certain principal maturities thereof, of the Bonds.

**Bond Insurance Policy** means the policy(ies) of municipal bond insurance, if any, delivered by the Bond Insurer at the time of issuance and delivery of Bonds to be insured pursuant to the Bond Insurance Commitment.

**Bond Insurer** means the municipal bond insurer(s), if any, that has committed to insure one or more series, or certain principal maturities thereof, of Bonds pursuant to the Bond Insurance Commitment.

**Bond Purchase Contract** means the Bond Purchase Contract for the Bonds, providing for the purchase of the Bonds by the Underwriter and setting forth certain terms authorized to be approved by the Designated Authority Representative as provided in Section 14 of this resolution.

**Bond Register** means the registration books maintained by the Registrar containing the name and mailing address of the owner of each Bond or nominee of such owner and the principal amount and number of Bonds held by each owner or nominee.

**Call Date** means December 1, 2017.

**Capital Appreciation Parity Bonds** means Parity Bonds all or a portion of the interest on which is compounded, accumulated and payable only upon redemption or on the maturity date of such Parity Bonds. If so provided in the resolution authorizing their issuance, Parity Bonds may be deemed to be Capital Appreciation Parity Bonds for only a portion of their term. On the date on which Parity Bonds no longer are Capital Appreciation Parity Bonds, they shall be deemed Outstanding in a principal amount equal to their Accreted Value.

**Common Reserve Fund** means the fund of that name created by Section 9 of this resolution.

**Common Reserve Fund Requirement(s)** means a dollar amount equal to the lesser of (i) Maximum Annual Debt Service on all Outstanding Covered Bonds and (ii) the Tax Maximum for all Outstanding Covered Bonds, determined and calculated as of the date of issuance of each series of Covered Bonds (and recalculated upon the issuance of a subsequent series of Covered Bonds and also, at the Authority's option, upon the payment of principal of Covered Bonds).

**Consultant** means at any time an independent consultant nationally recognized in aviation matters or an engineer or engineering firm or other expert appointed by the Authority to perform the duties of the Consultant as required by this resolution. For the purposes of delivering any certificate required by Section 21 hereof and making the calculation required by Section 21 hereof, the term Consultant shall also include any independent national public accounting firm appointed by the Authority to make such calculation or to provide such certificate or nationally recognized financial advisor appointed by the Authority for purposes of making such calculation.

**Code** means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable final, temporary or proposed regulations or revenue rulings issued

or amended with respect thereto by the U.S. Treasury Department or the Internal Revenue Service, to the extent applicable to the Bonds.

***Continuing Disclosure Undertaking*** means the undertaking for ongoing disclosure executed by the Authority pursuant to Section 18 of this resolution.

***Costs of Construction*** means all costs paid or incurred by the Authority in connection with the acquisition and construction of the Project and other capital additions, improvements and betterments to and extensions of the Facilities, and the placing of the same in operation, including, but without limiting the generality of the foregoing, paying all or a portion of the interest on the series of Parity Bonds or any portion thereof issued to finance the costs of such improvements during the period of construction of such improvements, and for a period of time thereafter; paying amounts required to meet any reserve requirement for the fund or account established or maintained for such series of Parity Bonds from the proceeds thereof; paying or reimbursing the Authority or any fund thereof or any other person for expenses incident and properly allocable to the acquisition and construction of said improvements and the placing of the same in operation; and all other items of expense incident and properly allocable to the acquisition and construction of said additions and improvements, the financing of the same and the placing of the same in operation.

***Costs of Issuance Agreement*** means the agreement of that name, if any, to be entered into by the Authority and the Escrow Agent, providing for the payment of certain costs of issuance with respect to the issuance of the Bonds, substantially in the form of Exhibit B hereto.

***Coverage Requirement*** means Net Revenues for any Fiscal Year or Base Period equal to or greater than 125% of Aggregate Annual Debt Service in each year in which proposed Future Parity Bonds will be Outstanding.

***Covered Bonds*** means those Parity Bonds designated in the series resolution authorizing their issuance as Covered Bonds secured by the Common Reserve Fund.

***C.R.S.*** means the Colorado Revised Statutes, as amended and supplemented as of the date hereof.

***Credit Facility*** means a policy of municipal bond insurance, a letter of credit, surety bond, line of credit, guarantee, standby purchase agreement or other financial instrument which obligates a third party to make payment or provide funds for the payment of financial obligations of the Authority, including but not limited to payment of the principal of, interest on or purchase price of Parity Bonds or meeting reserve requirements therefor.

***Customer Facility Charge*** means the facility use fee imposed by the Authority per on-Airport rental car per day, currently \$4.00.

***Date of Commercial Operation*** means the date upon which any Facilities are first ready for normal continuous operation or, if portions of the Facilities are placed in normal continuous operation at different times, shall mean the midpoint of the dates of continuous operation of all portions of such Facilities, as estimated by the Authority or, if used with reference to Facilities to be acquired, shall mean the date on which such acquisition is final.

***Debt Service*** means, for any period of time,

(a) with respect to any Outstanding Original Issue Discount Parity Bonds or Capital Appreciation Parity Bonds which are not designated as Balloon Maturity Parity Bonds in the resolution authorizing their issuance, the principal amount thereof, which shall be equal to the Accreted Value thereof maturing or scheduled for redemption in such period, and the interest payable during such period;

(b) with respect to any Outstanding Fixed Rate Parity Bonds, an amount equal to the (1) principal amount of such Parity Bonds due or subject to mandatory redemption during such period and for which no sinking fund installments have been established, (2) the amount of any payments required to be made during such period into any sinking fund established for the payment of any such Parity Bonds, plus (3) all interest payable during such period on any such Parity Bonds Outstanding and with respect to Parity Bonds with mandatory sinking fund requirements, calculated on the assumption that mandatory sinking fund installments will be applied to the redemption or retirement of such Parity Bonds on the date specified in the resolution authorizing such Parity Bonds; and

(c) with respect to Parity Bonds bearing a variable rate of interest, an amount for the interest component calculated (i) if the Parity Bonds bear interest that is exempt from general federal income taxation, at the average SIFMA Municipal Swap Index during the previous 12 months, or (ii) if the Parity Bonds bear interest that is subject to general federal income taxation, calculated at the average one-month LIBOR Index during the 12 month period immediately preceding the date of calculation and amount for the principal component calculated as provided in (d);

(d) with respect to all other series of Parity Bonds Outstanding, (other than Fixed Rate Bonds, Original Issue Discount Bonds or Capital Appreciation Bonds or Parity Bonds bearing interest as described in (c)), an amount of principal for any period equal to the amount which would have been payable for principal and interest on such Parity Bonds during such period computed on the assumption that the amount of Parity Bonds Outstanding as of the date of such computation would be amortized (i) in accordance with the mandatory redemption provisions, if any, set forth in the resolution authorizing the issuance of such Parity Bonds, or if

mandatory redemption provisions are not provided, during a period commencing on the date of computation and ending on the date 30 years after the date of issuance (ii) at an interest rate equal to the rate calculated in (c) above or the yield to maturity set forth in the 40-Bond Index published in the edition of *The Bond Buyer* (or comparable publication or such other similar index selected by the Authority with the approval of the Consultant, if applicable) selected by the Authority and published within ten days prior to the date of calculation or, if such calculation is being made in connection with the certificate required by Section 21 hereof, then within ten days of such certificate, (iii) to provide for essentially level annual debt service of principal and interest over such period.

With respect to any Parity Bonds payable in other than U. S. Dollars, Debt Service shall be calculated as provided in the resolution authorizing the issuance of such Parity Bonds. Debt Service shall be net of any interest funded out of Bond proceeds. Debt Service shall include reimbursement obligations to providers of Credit Facilities to the extent authorized in a resolution. For the purpose of determining compliance with the conditions for issuance of Parity Bonds set forth in Section 21 (and not for the purposes of calculating the Common Reserve Fund Requirement), Debt Service also shall be net of Debt Service Offsets, subject to the conditions set forth in Section 21.

***Debt Service Offsets*** means receipts of the Authority that are not included in Gross Revenue, e.g., passenger facility charges, and that are legally available and/or pledged by the Authority to pay debt service on Parity Bonds.

***Default*** has the meaning given such term in Section 13(a) of this resolution.

**Designated Authority Representative**, for purposes of this resolution, means the Chair or Vice Chair of the Board or the Airport Manager or such other person as may be directed by resolution of the Board.

**DTC** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as depository for the Bonds pursuant to Section 6 hereof.

**Escrow Agent** means U.S. Bank National Association or such other Escrow Agent for the 2007 Bonds appointed by the Designated Authority Representative pursuant to this resolution if the Designated Authority Representative determines that an escrow will be necessary or required to carry out the plan of refunding.

**Escrow Agreement** means the Escrow Deposit Agreement, if any, dated as of the date of the closing and delivery of the Bonds between the Authority and the Escrow Agent to be executed in connection with the refunding of the 2007 Bonds, substantially in the form of Exhibit A hereto.

**Facilities** means all equipment and all property, real and personal, or any interest therein, whether improved or unimproved, now or hereafter (for as long as any Parity Bonds of the Authority shall be Outstanding) owned, operated, used, leased or managed by the Authority and which contribute in some measure to its Gross Revenue.

**Federal Securities** means noncallable bills, certificates of indebtedness, notes, bonds or similar securities which are direct obligations of, or the principal and interest of which are unconditionally guaranteed by, the United States of America.

**Federal Tax Certificate** means the certificate(s) of that name executed and delivered by the Authority at the time of issuance and delivery of the Bonds of a series that are issued on a federally tax-exempt basis.

**Fiscal Year** means the twelve (12) calendar months commencing on the 1st day of January of any calendar year and ending on the last day of December of the same calendar year.

**Fixed Rate Parity Bonds** means those Parity Bonds other than Capital Appreciation Parity Bonds, Original Issue Discount Parity Bonds or Balloon Maturity Parity Bonds issued under a resolution in which the rate of interest on such Parity Bonds is fixed and determinable through their final maturity or for a specified period of time. If so provided in the resolution authorizing their issuance, Parity Bonds may be deemed to be Fixed Rate Parity Bonds for only a portion of their term.

**Future Parity Bonds** mean those revenue bonds or other revenue obligations that are issued by the Authority in the future as Parity Bonds.

**Gross Revenue** means all income and revenues derived directly or indirectly by the Authority from the ownership, use, and operation of the Airport, including but not limited to investment income on funds created hereunder, all rentals, fees, rates, and charges for the use of the Airport, or for any services rendered by the Authority in connection with or in the operation of the Airport, but excluding

- (1) the proceeds of any borrowing by the Authority and the earnings thereon (other than earnings on proceeds deposited in the Common Reserve Fund or any other reserve funds),
- (2) Customer Facility Charges,
- (3) passenger facility charges, head taxes, federal grants, State grants or substitutes therefor allocated to capital projects;

(4) payments made under Credit Facilities issued to pay or secure the payment of a particular series of Parity Bonds;

(5) proceeds of insurance or condemnation proceeds other than business interruption insurance;

(6) income and revenue of the Authority separately pledged and used by it to pay and secure the payment of the principal of and interest on any issue or series of Special Revenue Parity Bonds of the Authority issued to acquire, construct, equip, install or improve part or all of the particular facilities from which such income and revenue are derived, provided that nothing in this subparagraph (6) shall permit the withdrawal from Gross Revenue of any income or revenue derived or to be derived by the Authority from any income producing facility which shall have been contributing to Gross Revenue prior to the issuance of such Special Revenue Parity Bonds; and

(7) income from investments irrevocably pledged to the payment of bonds issued or to be refunded under any refunding bond plan of the Authority.

***Letter of Representations*** means the blanket issuer letter of representations from the Authority to DTC, dated October 18, 2016.

***LIBOR Index*** means the per annum rate of interest determined on the basis of the rate on deposits in United States dollars of amounts equal to or comparable to the aggregate Outstanding principal amount of the associated Parity Bonds, offered for a term of one month, which rate appears on the display designated as Reuters Screen LIBOR01 Page (or any successor page). Notwithstanding the foregoing, at any time when the LIBOR Index would be less than zero percent (0.0%), the LIBOR Index shall be deemed to be zero percent (0.0%).

**Maximum Annual Debt Service** means, with respect to any Outstanding series of Parity Bonds, the highest remaining Annual Debt Service for such series of Parity Bonds.

**MSRB** means the Municipal Securities Rulemaking Board or any successors to its functions. Until otherwise designated by the MSRB or the United States Securities and Exchange Commission, any information, reports or notices submitted to the MSRB in compliance with the Rule are to be submitted through the MSRB's Electronic Municipal Market Access system, currently located at [www.emma.msrb.org](http://www.emma.msrb.org).

**Net Revenues** means Gross Revenue less any part thereof that must be used to pay Operating Expenses.

**Operating Expenses** means the current expenses incurred for operation or maintenance of the Facilities (other than Special Facilities), as defined under generally accepted accounting principles, in effect from time to time, excluding any allowances for depreciation or amortization or interest on any obligations of the Authority incurred in connection with and payable from Gross Revenue.

**Original Issue Discount Parity Bonds** means Parity Bonds which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Parity Bonds in the resolution authorizing their issuance.

**Outstanding** means, as of any date, any Parity Bonds theretofore issued except such Parity Bonds deemed to be no longer Outstanding as provided in the resolution authorizing the issuance thereof.

**Parity Bonds** mean and includes the Bonds and any Future Parity Bonds.

**Project** means renovation of the Airport's Terminal Building in order to meet building code, health and life safety requirements and relocation of the Airport's existing primary runway.

***Project Bonds*** means the portion of the Bonds allocated to pay costs of the Project.

***Project Fund*** means the fund or account established pursuant to Section 20(a) of this resolution.

***Qualified Insurance*** means any non-cancelable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies) (i) which insurance company or companies, as of the time of issuance of such policy or surety bond, are rated in one of the two highest Rating Categories by one or more of the Rating Agencies for unsecured debt or insurance underwriting or claims paying ability or (ii) by issuing its policies causes obligations insured thereby to be rated in one of the two highest Rating Categories by one or more of the Rating Agencies.

***Qualified Letter of Credit*** means any irrevocable letter of credit issued by a financial institution, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit, is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies.

***Rate Covenant*** has the meaning given such term in Section 11(a) of this resolution.

***Rating Agency*** means Fitch Ratings, Moody's Investors Service, Inc. and/or S&P Global Ratings or their respective successors and assigns, and/or such other securities rating agency selected by the Authority.

***Rating Category*** means the generic rating categories of a Rating Agency, without regard to any refinement or gradation of such rating category by a numerical modifier or otherwise.

***Refunding Bonds*** mean the portion of the Bonds allocated to refund the 2007 Bonds.

**Registered Owner** means the person named as the registered owner of a Bond in the Bond Register.

**Registrar** means U.S. Bank National Association, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register and effecting transfer of ownership of the Bonds. The term **Registrar** shall include any successor to U.S. Bank National Association hereinafter appointed by the Authority.

**Revenue Fund** means, collectively, the Authority's General Fund, Airport Development Fund and any other fund established in the office of the Treasurer of the Authority for the receipt of Gross Revenue.

**Rule** means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended from time to time.

**Savings Target** means a dollar amount of debt service savings at least equal to two percent (2.00%) of the principal amount of the 2007 Bonds.

**SIFMA** means the Securities Industry and Financial Markets Association (formerly the Bond Market Association).

**SIFMA Municipal Swap Index** means the SIFMA Municipal Swap Index as of the most recent date for which such index was published or such other weekly, high-grade index comprised of seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or as otherwise designated by SIFMA; *provided*, however, that, if such index is no longer produced by Municipal Market Data, Inc. or its successor, then SIFMA Municipal Swap Index shall mean such other reasonably comparable index selected by the Designated Authority Representative.

***Special Facilities*** means particular facilities financed with the proceeds of Special Revenue Bonds.

***Special Revenue Bonds*** means any issue or series of revenue bonds, revenue warrants or other revenue obligations of the Authority issued to directly or indirectly acquire (by purchase, lease or otherwise), construct, equip, install or improve part or all of particular facilities and which are payable from and secured by the income and revenue from such facilities.

***State*** means the State of Colorado.

***Surety Bond*** means one or more of the surety bond(s), if any, issued by the Surety Bond Issuer on the date of issuance of the Bonds of a series for the purpose of satisfying all or a portion of the Common Reserve Fund Requirement; provided that the Surety Bond meets the requirements for “Qualified Insurance” at the time of issuance of the Surety Bond. There may be more than one Surety Bond.

***Surety Bond Agreement*** means any Agreement(s) between the Authority and the Surety Bond Issuer with respect to the Surety Bond(s).

***Surety Bond Issuer*** or Surety Bond Issuers means the surety bond issuer(s), if any, issuing a surety bond for the purpose of satisfying all or a portion of the Common Reserve Fund Requirement. There may be more than one Surety Bond Issuer.

***2007 Bonds*** mean the Walker Field, Colorado, Public Airport Authority (Mesa County, Colorado) General Airport Revenue Bonds, Series 2007.

***2016A Bonds*** means the Grand Junction Regional Airport Authority Revenue and Refunding Bonds, 2016A (Non-AMT), authorized to be issued by Section 3 of this resolution for the purpose of refunding a portion of the 2007 Bonds and paying the additional costs described in Section 3.

**2016B Bonds** means the Grand Junction Regional Airport Authority Revenue Refunding Bonds, 2016B (Taxable), authorized to be issued by Section 3 of this resolution for the purpose of refunding a portion of the 2007 Bonds and paying the additional costs described in Section 3.

**Tax Maximum** means the maximum dollar amount permitted by the Internal Revenue Code of 1986, as amended, including applicable regulations thereunder, to be allocated to a bond reserve account from bond proceeds without requiring a balance to be invested at a restricted yield.

**Treasurer of the Authority** means the Chief Financial Officer of the Authority or any other public officer as may hereafter be designated pursuant to law to have the custody of Authority funds.

**Underwriter** means RBC Capital Markets.

**Interpretation.** In this resolution, unless the context otherwise requires:

(a) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this resolution, refer to this resolution as a whole and not to any particular article, section, subdivision or clause hereof, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before the date of this resolution;

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(c) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations, limited liability companies and other legal entities, including public bodies, as well as natural persons;

(d) Any headings preceding the text of the several articles and sections of this resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this resolution, nor shall they affect its meaning, construction or effect;

(e) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and

(f) Except as explicitly provided herein, whenever any consent or direction is required to be given by the Authority, such consent or direction shall be deemed given when given by the Designated Authority Representative.

Section 2.     Plan of Finance. The Airport’s main Terminal Building is in need of renovation in order to meet building code and health and life safety requirements and the Authority has determined to relocate the Airport’s existing primary runway (collectively, the “Project”). The total estimated cost of the Terminal Building portion of the Project is \$8,481,080. The expectation is the net new money portion of the Bonds will be \$9,000,000, and the balance of the proceeds, not expended on the Terminal Building will be spent on the runway relocation portion of the Project. The 2007 Bonds mature and/or are callable in whole or in part prior to their scheduled maturities, and the Board hereby finds that the refunding of the 2007 Bonds will result in substantial savings to the Authority.

Section 3.     Authorization of Bonds. In accordance with Title 11, Article 57, C.R.S.; the constitution of the State; and all other laws of the State thereunto enabling, there shall be issued airport revenue and refunding bonds of the Authority, in up to two series in the total aggregate principal amount not to exceed \$24,000,000. Each series of the bonds shall be issued as Fixed Rate Parity Bonds. The proceeds of the Bonds shall be used for the purposes of

providing the funds necessary to undertake the Project, refunding the 2007 Bonds, making a deposit, if any, to the Common Reserve Fund, or to purchase one or more Surety Bonds, and to pay all or a portion of the costs incidental to the foregoing and to the issuance of the Bonds.

The aggregate principal amount of the Bonds to be issued under this resolution shall not exceed \$24,000,000 and shall be determined by the Designated Authority Representative, pursuant to the authority granted in Section 14 of this resolution.

Section 4.     Bond Details.

(a)     *Bonds.* The Bonds shall be issued in one or more series, shall be designated as “Grand Junction Regional Airport Authority Revenue and Refunding Bonds, 2016[A][B],” with such description and additional designations for each series for identification purposes as may be approved by the Designated Authority Representative, shall be registered as to both principal and interest, shall be issued in the aggregate principal amount set forth in the Bond Purchase Contract, shall be numbered separately in the manner and with any additional designation as the Registrar deems necessary for purposes of identification, shall be dated their date of delivery to the Underwriter, and shall be in the denomination of \$5,000 each or any integral multiple of \$5,000 within a series and maturity, bearing interest as and at the rates set forth in the Bond Purchase Contract and as approved by the Designated Authority Representative pursuant to Section 14. The Bonds of each series shall bear interest from their date of delivery to the Underwriter until the Bonds bearing such interest have been paid or their payment duly provided for, payable semiannually on the dates set forth in the Bond Purchase Contract for each series and shall mature on the dates and in the principal amounts set forth in the Bond Purchase Contract and as approved by the Designated Authority Representative pursuant to Section 14 of this resolution.

(b) *Limited Obligations.* The Bonds and the lien thereof created and established hereunder shall be obligations only of the Bond Fund and, for the Bonds hereinafter designated as Covered Bonds, the Common Reserve Fund. All Parity Bonds shall be payable solely from and secured solely by Net Revenues available after providing for the payments specified in paragraph First of Section 7 of this resolution; provided, however, that any series of Future Parity Bonds also may be payable from and secured by a Credit Facility pledged specifically to or provided for that series of Parity Bonds.

As long as any Bonds remain Outstanding, the Authority hereby irrevocably obligates and binds itself to set aside and pay into the Bond Fund out of Net Revenues, on or prior to the date on which the interest on or principal of and interest on the Bonds shall become due, the amount necessary to pay such interest or principal and interest coming due on the Bonds.

Said amounts so pledged to be paid into such special funds are hereby declared to be a prior lien and charge upon the Gross Revenue superior to all other charges of any kind or nature whatsoever except for Operating Expenses and except for charges equal in rank that may be made thereon to pay and secure the payment of the principal of and interest on Future Parity Bonds. Any Net Revenue available to pay the principal of or interest on Outstanding Parity Bonds shall be distributed among Outstanding Parity Bonds on an equal basis without regard to the existence of the Common Reserve Fund or the reserve funds for other Outstanding Parity Bonds or Qualified Insurance or Qualified Letter of Credit with respect thereto.

The Bonds do not constitute an indebtedness of the Authority within the meaning of the constitutional provisions and limitations of the State. Nothing in this resolution shall be construed as authorizing the Authority, the City of Grand Junction, or Mesa County to assess and levy taxes for the payment of the Bonds.

Section 5.     Redemption and Purchase.

(a)     *Optional Redemption.* One or more series and maturities of Bonds may be subject to optional redemption on the dates, at the prices and under the terms set forth in the Bond Purchase Contract relating to such series, all as approved by the Designated Authority Representative pursuant to Section 14 of this resolution.

(b)     *Mandatory Redemption.* One or more series of Bonds may be subject to mandatory redemption to the extent, if any, set forth in the Bond Purchase Contract, all as approved by the Designated Authority Representative pursuant to Section 14 of this resolution.

(c)     *Purchase of Bonds for Retirement.* The Authority reserves the right to use at any time any surplus Gross Revenue available after providing for the payments required by paragraphs First through Fifth of Section 7(a) of this resolution, to purchase for retirement any of the Bonds offered to the Authority at any price deemed reasonable to the Designated Authority Representative.

(d)     *Selection of Bonds for Redemption.* If the 2016A Bonds are called for optional redemption, the series and maturities of such Bonds to be redeemed shall be selected by the Authority. If any 2016A Bonds to be redeemed (optional or mandatory) then are held in book entry only form, the selection of such 2016A Bonds to be redeemed within a maturity shall be made in accordance with the operational arrangements then in effect at DTC (or at a substitute depository, if applicable). If the 2016A Bonds to be redeemed are no longer held in book-entry only form, the selection of such 2016A Bonds to be redeemed shall be made in the following manner. If the Authority redeems at any one time fewer than all of the 2016A Bonds having the same maturity date within a series, the particular 2016A Bonds or portions of 2016A Bonds to be redeemed within the series and maturity shall be selected by lot (or in such other random manner

determined by the Registrar) in increments of \$5,000. In the case of a 2016A Bond within a series and maturity of a denomination greater than \$5,000, the Authority and Registrar shall treat each 2016A Bond of the applicable series and maturity as representing such number of separate 2016A Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such 2016A Bonds of the applicable series and maturity by \$5,000. In the event that only a portion of the principal amount of a 2016A Bond is redeemed, upon surrender of such 2016A Bond at the principal office of the Registrar there shall be issued to the Registered Owner, without charge therefor, for the then-unredeemed balance of the principal amount thereof a 2016A Bond or, at the option of the Registered Owner, a Bond of like series, maturity and interest rate in any of the denominations herein authorized.

If the 2016B Bonds are subject to redemption prior to their scheduled maturities, the manner of selection of 2016B Bonds for redemption shall be set forth in the Bond Purchase Contract.

(e) *Notice of Redemption.* Written notice of any redemption of Bonds prior to maturity shall be given by the Registrar on behalf of the Authority by first class mail, postage prepaid, not less than 20 days nor more than 60 days before the date fixed for redemption to the Registered Owners of Bonds that are to be redeemed at their last addresses shown on the Bond Register. This requirement shall be deemed complied with when notice is mailed to the Registered Owners at their last addresses shown on the Bond Register, whether or not such notice is actually received by the Registered Owners.

So long as the Bonds are in book-entry only form, notice of redemption shall be given to Beneficial Owners of Bonds to be redeemed in accordance with the operational arrangements then in effect at DTC (or its successor or alternate depository), and neither the Authority nor the

Registrar shall be obligated or responsible to confirm that any notice of redemption is, in fact, provided to Beneficial Owners.

Each notice of redemption (which notice in the case of optional redemption may be conditional) prepared and given by the Registrar to Registered Owners of Bonds shall contain the following information: (1) the date fixed for redemption, (2) the redemption price, (3) if fewer than all outstanding Bonds of a series are to be redeemed, the identification by maturity and series (and, in the case of partial redemption, the principal amounts) of the Bonds to be redeemed, (4) whether, in the case of optional redemption, the notice of redemption is conditional and, if conditional, the conditions to redemption, (5) that (unless the notice of optional redemption is a conditional notice, in which case the notice shall state that such Bonds will become due and payable and interest shall cease to accrue from the date fixed for redemption if and to the extent in each case funds have been provided to the Registrar for the redemption of such Bonds and if any other condition is satisfied) on the date fixed for redemption the redemption price will become due and payable upon each Bond or portion called for redemption, and that, unless a conditional notice of redemption has been revoked, interest shall cease to accrue from the date fixed for redemption if and to the extent that funds have been provided to the Registrar for the redemption of such Bonds and if any other condition is satisfied, (6) that the Bonds are to be surrendered for payment at the principal office of the Registrar, (7) the CUSIP numbers of all Bonds being redeemed, (8) the dated date of the Bonds being redeemed, (9) the rate of interest for each Bond being redeemed, (10) the date of the notice, and (11) any other information deemed necessary by the Registrar to identify the Bonds being redeemed.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall bear the CUSIP number identifying, by issue, series, and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(f) *Effect of Redemption.* Unless the Authority has revoked a conditional notice of optional redemption (or unless the Authority provided a conditional notice of optional redemption and the conditions for the optional redemption set forth therein are not satisfied), the Bonds to be redeemed shall become due and payable on the date fixed for redemption, the Authority shall transfer to the Registrar amounts that, in addition to other money, if any, held by the Registrar for such purpose, will be sufficient to redeem, on the date fixed for redemption, all of the Bonds to be redeemed. If and to the extent that funds have been provided to the Registrar for the redemption of Bonds, then from and after the date fixed for redemption for such Bond or portion thereof, interest on each such Bond shall cease to accrue and such Bond or portion thereof shall cease to be Outstanding.

(g) *Amendment of Notice Provisions.* The foregoing notice provisions of this section, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 6. Registration, Exchange and Payments.

(a) *Registrar/Bond Register.* The Authority hereby appoints U.S. Bank National Association, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register and effecting transfer of ownership of the Bonds (the “Registrar”). The Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient records for the

registration and transfer of the Bonds (the “Bond Register”), which shall be open to inspection by the Authority. The Registrar may be removed at any time at the option of the Designated Authority Representative upon prior notice to the Registrar, DTC (or its successor or alternate depository), each party entitled to receive notice pursuant to the Continuing Disclosure Undertaking and a successor Registrar appointed by the Designated Authority Representative. No resignation or removal of the Registrar shall be effective until a successor shall have been appointed and until the successor Registrar shall have accepted the duties of the Registrar hereunder. The Registrar is authorized, on behalf of the Authority, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this resolution and to carry out all of the Registrar’s powers and duties under this resolution. The Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

(b) *Registered Ownership.* Except as provided in Section 6(c) or the Continuing Disclosure Undertaking authorized pursuant to Section 18 of this resolution, the Authority and the Registrar may deem and treat the Registered Owner of each Bond as the absolute owner for all purposes, and neither the Authority nor the Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in subsection (h) of this Section 6, but the transfer of such Bond may be registered as herein provided. All such payments made as described in subsection (h) of this Section 6 shall be valid and shall satisfy the liability of the Authority upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letter of Representations.* The Bonds shall initially be held in fully immobilized form by DTC acting as depository. To induce DTC to accept the Bonds as

eligible for deposit at DTC, the Authority has heretofore executed and delivered to DTC the Letter of Representations.

Neither the Authority nor the Registrar will have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds for the accuracy of any records maintained by DTC (or any successor or alternate depository) or any DTC participant, the payment by DTC (or any successor or alternate depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice that is permitted or required to be given to Registered Owners under this resolution (except such notices as shall be required to be given by the Authority to the Registrar or, by the Registrar, to DTC (or any successor or alternate depository)), the selection by DTC or by any DTC participant of any person to receive payment in the event of a partial redemption of the Bonds, or any consent given or other action taken by DTC (or any successor or alternate depository) as the Registered Owner. So long as any Bonds are held in fully immobilized form hereunder, DTC or its successor depository shall be deemed to be the owner and Registered Owner for all purposes, and all references in this resolution to the Registered Owners shall mean DTC (or any successor or alternate depository) or its nominee and shall not mean the owners of any beneficial interest in any Bonds. Notwithstanding the foregoing, if a Bond Insurance Policy is issued for any series or maturity of the Bonds and so long as the Bond Insurer is not in default under its Bond Insurance Policy, the Bond Insurer shall be deemed to be the owner, Registered Owner, and holder of all bonds of that series or maturity for the purpose of granting consents and exercising voting rights with respect thereto and for any other purpose identified and specified in the Bond Insurance Commitment accepted by the Authority as a condition of issuance of the Bond Insurance Policy.

(d) *Use of Depository.*

(1) The Bonds shall be registered initially in the name of CEDE & Co., as nominee of DTC, with a single Bond for each series and maturity having the same interest rate in a denomination equal to the total principal amount of such series and maturity. Registered ownership of such immobilized Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, or to any other nominee requested by an authorized representative of DTC, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Authority pursuant to subsection (2) below or such substitute depository's successor or nominee; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Authority to discontinue the system of book entry transfers through DTC or its successor (or any substitute depository or its successor), the Authority may appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Registrar shall, upon receipt of all outstanding Bonds, together with a written request on behalf of the Authority, issue a single new Bond for each series and maturity then outstanding, registered in the name of such successor or substitute depository, or its nominee, all as specified in such written request of the Authority.

(4) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained,

or (B) the Authority determines that it is in the best interest of the Beneficial Owners of the Bonds of any series that the Bonds of that series be provided in certificated form, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held in fully immobilized form. The Authority shall deliver a written request to the Registrar, together with a supply of definitive Bonds (of the appropriate series and maturities) in certificated form, to issue Bonds in any authorized denominations. Upon receipt by the Registrar of all then outstanding Bonds (of the appropriate series), together with a written request on behalf of the Authority to the Registrar, new Bonds of such series shall be issued in the appropriate denominations and registered in the names of such persons as are provided in such written request.

(e) *Registration of the Transfer of Ownership or the Exchange of Bonds; Change in Denominations.* The transfer of any Bond may be registered and any Bond may be exchanged, but no transfer of any Bond shall be valid unless the Bond is surrendered to the Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Registrar. Upon such surrender, the Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee, a new Bond (or Bonds at the option of the Registered Owner) of the same date, series, maturity and interest rate and for the same aggregate principal amount in any authorized denomination, as and naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and canceled Bond. Any Bond may be surrendered to the Registrar, together with the assignment form appearing on such Bond duly executed, and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date,

series, maturity and interest rate, in any authorized denomination. The Registrar shall not be obligated to register the transfer or exchange of any Bond during a period beginning at the opening of business on the 15th day of the month next preceding any interest payment date and ending at the close of business on such interest payment date, or, in the case of any proposed redemption of the Bonds, after the mailing of notice of the call of such Bonds for redemption.

(f) *Registrar's Ownership of Bonds.* The Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Registrar, and to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as member of, or in any other capacity with respect to, any committee formed to protect the rights of the Registered Owners of the Bonds.

(g) *Registration Covenant.* The Authority covenants that, until all Bonds issued on a tax-exempt basis have been surrendered and canceled, it will maintain a system for recording the ownership of each Bond that complies with the provisions of Section 149 of the Code.

(h) *Place and Medium of Payment.* The principal of, premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. For so long as all Bonds are in fully immobilized form, payments of principal, premium, if any, and interest shall be made as provided in accordance with the operational arrangements of DTC described in the Letter of Representations. In the event that the Bonds are no longer in fully immobilized form, interest on the Bonds shall be paid by check mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the 15th day of the month preceding the interest payment date, and principal and premium, if any, of the Bonds shall be payable by check upon presentation and surrender of such Bonds by the Registered Owners at the principal office of the Registrar; provided, however, that if so requested in writing prior to the opening of

business on the 15th day of the month preceding any interest payment date by the Registered Owner of at least \$1,000,000 aggregate principal amount of Bonds, interest will be paid thereafter by wire transfer on the date due to an account with a bank located within the United States.

Section 7. Priority of Use of Gross Revenue. The Authority's Gross Revenue shall be deposited in the Revenue Fund as collected. The Revenue Fund shall be held separate and apart from all other funds and accounts of the Authority, and the Gross Revenue deposited therein shall be used only for the following purposes and in the following order of priority:

First, to pay Operating Expenses not paid from other sources;

Second, to make all payments, including sinking fund payments, required to be made into the debt service account(s) of any Bond redemption fund to pay the principal of and interest and premium, if any, on any Parity Bonds;

Third, to make all payments required to be made into the Common Reserve Fund and all other reserve account(s) to secure the payment of any Parity Bonds;

Fourth, to make all payments required to be made into any other revenue bond redemption fund and debt service account or reserve account created therein to pay and secure the payment of the principal of and interest on any revenue bonds or other revenue obligations of the Authority having a lien upon the Net Revenues and the money in the Revenue Fund junior and inferior to the lien thereon for the payment of the principal of and interest on any Parity Bonds; and

Fifth, to retire by redemption or purchase in the open market any outstanding revenue bonds or other revenue obligations of the Authority as authorized in the various resolutions of the Board authorizing their issuance or to make necessary additions, betterments, improvements

and repairs to or extension and replacements of the Facilities, or any other lawful Authority purposes.

Section 8.     Bond Fund.

(a)     *Bond Fund.* A special fund of the Authority designated the “Grand Junction Regional Airport Authority Revenue Bond Fund” (the “Bond Fund”) is hereby authorized to be created in the office of the Treasurer for the purpose of paying and securing the payment of all Parity Bonds. The Bond Fund shall be held separate and apart from all other funds and accounts of the Authority and shall be a trust fund for the owners of Parity Bonds. At the option of the Treasurer, the Bond Fund may be designated or maintained with separate subaccounts or designations to comply the Authority’s accounting protocol.

The Bonds shall be obligations only of the Bond Fund and the Common Reserve Fund and shall be payable and secured as provided herein. The Bonds do not constitute an indebtedness of the Authority within the meaning of the constitutional and statutory provisions and limitations of the laws of the State.

The Authority hereby irrevocably obligates and binds itself for so long as any Bonds remain Outstanding to set aside and pay into the Bond Fund from Net Revenues or money in the Revenue Fund, on or prior to the respective dates on which the same become due:

(A)     such amounts as are required to pay the interest scheduled to become due and redemption premium, if any, on Outstanding Bonds; and

(B)     such amounts as are required to pay maturing principal or principal being redeemed of Outstanding Bonds.

(b)     *Pledge and Lien.* The Authority does hereby pledge and bind itself to set aside from Net Revenues, and to pay into the Bond Fund, and the Common Reserve Fund the various

amounts required herein to be paid into and maintained in said Funds, all within the times provided herein. Said amounts so pledged to be paid into the Bond Fund and the Common Reserve Fund are hereby declared to be an equal and prior lien and charge upon Gross Revenues superior to all other charges of any kind or nature whatsoever, except for Operating Expenses and except that the amounts so pledged are of equal lien to the lien and charge thereon which may hereafter be made to pay and secure the payment of the principal of, premium, if any, and interest on any Future Parity Bonds.

(c) *Use of Excess Money.* Money in the Bond Fund not needed to pay the interest or principal and interest next coming due on any Outstanding Bonds or to maintain required reserves therefor may be used to purchase or redeem and retire Bonds within the limitations provided herein, subject to the further limitations set forth in the Federal Tax Certificate. Money in the Bond Fund, and money in the Revenue Fund of the Authority may be invested in any investments legal for the Authority and, with respect to the Bonds of a series issued on a federally tax-exempt basis, subject to the further limitations set forth in the Federal Tax Certificate.

#### Section 9. Common Reserve Fund.

(a) *Establishment.* The Treasurer is hereby authorized to create a reserve fund for the purpose of securing the payment of the principal of and interest on all Covered Bonds (the “Common Reserve Fund”). At the option of the Treasurer, the Common Reserve Fund may be designated or maintained with separate subaccounts or designations to comply the Authority’s accounting protocol. Notwithstanding the fact that the Common Reserve Fund may include a number of differently designated funds or accounts, the Common Reserve Fund shall be considered a common pooled reserve, and the balance on hand in any of the individual funds

constituting the Common Reserve Fund shall be available to pay and secure all Covered Bonds then Outstanding.

(b) *Common Reserve Fund Requirement Maintenance.* The Common Reserve Fund shall be maintained in an amount not less than the Common Reserve Fund Requirement, subject to permitted withdrawals of amounts in excess of the Common Reserve Fund Requirement, of amounts to pay debt service on Covered Bonds in the event of a deficiency in a bond fund for Covered Bonds, of amounts to pay the principal of, premium, if any, and interest on all Outstanding Covered Bonds, of amounts being replaced by Qualified Insurance or a Qualified Letter of Credit, and of amounts required to prevent any Bonds from becoming “arbitrage bonds,” in each case as provided herein. The Common Reserve Fund Requirement shall be maintained by deposits of cash and/or qualified investments, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. To the extent that the Authority obtains a Qualified Letter of Credit or Qualified Insurance in substitution for cash or securities in the Common Reserve Fund, all or a portion of the money on hand in the Common Reserve Fund shall be transferred to the fund or account, specified by the Designated Authority Representative within the limitations permitted by the tax covenants, if any, for the Covered Bonds.

In computing the amount on hand in the Common Reserve Fund, Qualified Insurance and a Qualified Letter of Credit shall be valued at the lower of the face amount thereof or the amount available to be drawn thereunder, and all other obligations purchased as an investment of moneys therein shall be valued at the market price thereof on a marked to market basis, valued at least once annually and following any withdrawal. As used herein, the term “cash” shall include U.S. currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier’s check; and the deposit to the Common Reserve Fund may be satisfied by the transfer of

qualified investments to such account. If a deficiency in the Common Reserve Fund Requirement shall exist as a result of the foregoing valuation, such deficiency shall be made up within a year thereof.

(c) *Withdrawals.* If the balance on hand in the Common Reserve Fund is sufficient to satisfy the Common Reserve Fund Requirement, interest earnings shall be applied as provided in the following sentences. Whenever there is a sufficient amount in the bond funds for the Covered Bonds and the Common Reserve Fund to pay the principal of, premium, if any, and interest on all Outstanding Covered Bonds, the money in the Common Reserve Fund may be used to pay such principal and interest. So long as the money left remaining on deposit in the Common Reserve Fund is not less than the Common Reserve Fund Requirement, money in the Common Reserve Fund may be transferred to the fund or account specified in writing by the Designated Authority Representative within the limitations permitted by the tax covenants for the Covered Bonds. The Authority also may transfer out of the Common Reserve Fund any money required to prevent any Bonds from becoming “arbitrage bonds.”

If a deficiency in any bond fund for a series of Covered Bonds shall occur immediately prior to an interest payment date, such deficiency shall be made up from the Common Reserve Fund by the withdrawal of cash therefrom for that purpose (including cash provided by the sale or redemption of obligations held in the Common Reserve Fund, in such amounts as will provide cash in the Common Reserve Fund sufficient to make up any such deficiency with respect to the Covered Bonds), and if a deficiency in any bond fund for a series of Covered Bonds still exists immediately prior to the interest payment date for such series of Covered Bonds and after the transfer of cash from the Common Reserve Fund to such bond fund, the Authority shall then draw from any Qualified Letter of Credit or Qualified Insurance then credited to the Common

Reserve Fund in sufficient amount to make up the deficiency. If the amount in the Common Reserve Fund is insufficient to make up all deficiencies in the bond fund(s) for all Covered Bonds coming due on a Covered Bond payment date, the deficiencies shall be made up on a pro rata basis based on the principal, if any, and interest payments coming due on Covered Bonds on such interest payment date. Any draw on a Qualified Letter of Credit or Qualified Insurance shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide. Reimbursement may be made to the issuer of any Qualified Letter of Credit or Qualified Insurance in accordance with the reimbursement agreement related thereto, and after making necessary provision for the payments required to be made in paragraphs First and Second of Section 7 of this resolution. If the Authority shall have failed to make any payment required to be made under such reimbursement agreement for the Covered Bonds, the issuer shall be entitled to exercise all remedies available at law or under this resolution; provided, however, that no acceleration of the Parity Bonds shall be permitted, and no remedies that adversely affect the beneficial owners of the Parity Bonds shall be permitted. Any deficiency created in the Common Reserve Fund by reason of any such withdrawal shall be made up within one year, from Qualified Insurance or a Qualified Letter of Credit or out of Net Revenues (or out of any other moneys on hand legally available for such purpose), in 12 equal monthly installments, after first making necessary provision for all payments required to be made into the bond funds for Covered Bonds within such year.

In making the payments and credits to the Common Reserve Fund required by this Section 9, to the extent that the Authority has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to this section to be paid out of the Common Reserve Fund such amounts then available to be drawn under such Qualified Insurance or a

Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Common Reserve Fund by this Section 9.

(d) *Replenishment.* In the event of termination of a Qualified Letter of Credit, if the issuer of the Qualified Insurance or the Qualified Letter of Credit shall be insolvent or no longer in existence, respectively, the Common Reserve Fund Requirement shall be satisfied (1) within one year after the termination, insolvency or incapacity, with other Qualified Insurance or another Qualified Letter of Credit, or (2) within three years (in three equal annual installments) after the termination, insolvency or incapacity, out of Net Revenues (or out of other money on hand and legally available for such purpose) after first making necessary provisions for all payments required to be made into all bond funds then maintained for Outstanding Parity Bonds.

(e) *Designation of 2016 Bonds.* The 2016 Bonds are hereby designated as Covered Bonds, and the Common Reserve Requirement shall be fulfilled no later than the date of issuance of the 2016 Bonds.

(f) *Surety Bond Agreement.* The Designated Authority Representative may solicit bids from surety bond issuers, and the Designated Authority Representative is hereby authorized to select a proposal and to execute the Surety Bond Agreement(s), which may include such covenants and conditions as shall be approved by the Designated Authority Representative.

Section 10. Defeasance. Except as otherwise set forth in the Bond Purchase Contract, one or more series of the Bonds shall be subject to defeasance as follows. In the event that money and/or noncallable Federal Securities maturing or having guaranteed redemption prices at the option of the owner thereof at such time or times and bearing interest to be earned thereon in amounts (together with such money, if any) sufficient to redeem and retire part or all of the Bonds of any series in accordance with their terms, are hereafter irrevocably delivered to the

Registrar for payment of such Bonds or set aside in a special account and pledged to effect such redemption and retirement, and, if the Bonds (or portion thereof) of such series are to be redeemed prior to maturity, irrevocable notice, or irrevocable instructions to give notice of such redemption has been delivered to the Registrar, then no further payments need be made into the Bond Fund or any account therein for the payment of the principal of, premium, if any, and interest on such Bonds (or portion thereof) so provided for and the Bonds of such series shall then cease to be entitled to any lien, benefit or security of this resolution, except the right to receive the funds so set aside and pledged and such notices of redemption, if any, and such Bonds (or portion thereof) shall no longer be deemed to be Outstanding hereunder or under any resolution authorizing the issuance of bonds or other indebtedness of the Authority.

The Authority shall provide notice of defeasance of any Bonds to the Registered Owners of the Bonds being defeased, to the Bond Insurer, if any, and to each party entitled to receive notice under the Continuing Disclosure Undertaking authorized pursuant to Section 18 of this resolution.

Section 11. Specific Covenants. The Authority hereby makes the following covenants and agreements with the owners and holders of each of the Parity Bonds for as long as any of the same remain Outstanding.

(a) The Authority will at all times establish, maintain and collect rentals, tariffs, rates, fees, and charges in the operation of all of its business for as long as any Parity Bonds are Outstanding that will produce Net Revenues in each Fiscal Year at least equal to the greater of (1) 125% of the amounts required in such Fiscal Year to be paid as scheduled debt service (principal and interest) on Outstanding Parity Bonds, or (2) amounts required to be deposited during such Fiscal Year from Net Revenues into bond funds and reserve funds established for

Outstanding Parity Bonds, but excluding from each of the foregoing, (A) payments made from refunding debt; (B) capitalized debt service and (C) Debt Service Offsets (herein referred to as the “Rate Covenant”).

The Authority hereby covenants that it will not construct, operate or enter into any agreement permitting or facilitating the construction or operation of any facilities which will compete with the operations of the Authority in a manner which will materially and adversely affect its ability to comply with the covenant set forth in this subsection (a). Compliance with the covenant set forth in the preceding sentence may be demonstrated by a certificate based upon reasonable belief of the Designated Authority Representative.

If the Net Revenues in any Fiscal Year are less than required to fulfill the Rate Covenant, then the Authority will retain a Consultant to make recommendations as to operations and the revision of schedules of rentals, tariffs, rates, fees and charges; and upon receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Board, on the basis of such recommendations and other available information, will establish rentals, tariffs, rates, fees and charges for services and operations which will be necessary to meet the Rate Covenant in the Fiscal Year during which such adjustments are made. If the Board has taken the steps set forth in this paragraph and the Net Revenues in the Fiscal Year in which adjustments are made nevertheless are not sufficient to meet the Rate Covenant, there shall be no default under this Section 11(a) or Default under the provisions of Section 13 of this resolution during such Fiscal Year, unless the Authority fails to meet the Rate Covenant for two consecutive Fiscal Years.

(b) The Authority will duly and punctually pay or cause to be paid out of the bond fund for each series of Parity Bonds the principal of and interest on the Parity Bonds at the times

and places as provided in each resolution and in said Parity Bonds provided and will at all times faithfully perform and observe any and all covenants, undertakings and provisions contained in this resolution, the resolution, as applicable, and in the Parity Bonds.

(c) The Authority will at all times keep and maintain all of the Facilities in good repair, working order and condition, and will at all times operate the same and the business or businesses in connection therewith in an efficient manner and at a reasonable cost.

(d) In the event any Facility or part thereof which contributes in some measure to the Gross Revenue is sold by the Authority or is condemned pursuant to the power of eminent domain, the Authority will apply the net proceeds of such sale or condemnation to capital expenditures upon or for Facilities which will contribute in some measure to the Gross Revenue or to the retirement of Parity Bonds then Outstanding.

(e) The Authority will keep all Facilities insured, if such insurance is obtainable at reasonable rates and upon reasonable conditions, against such risks, in such amounts, and with such deductibles as the Board or the Designated Authority Representative shall deem necessary for the protection of the Authority and of the owners of Parity Bonds then Outstanding.

(f) The Authority will at all times keep or arrange to keep in full force and effect policies of public liabilities and property damage insurance which will protect the Authority against anyone claiming damages of any kind or nature, if such insurance is obtainable at reasonable rates and upon reasonable conditions, in such amounts and with such deductibles as the Board shall deem necessary for the protection of the Authority and of the owners of the Parity Bonds then Outstanding.

(g) The Authority will keep and maintain proper books of account and accurate records of all of its revenue, including tax receipts, received from any source whatsoever, and of

all costs of administration and maintenance and operation of all of its business that are in accordance with generally accepted accounting principles as in effect from time to time.

Section 12. Tax Covenants.

(a) *General.* The Authority covenants that it will not take or permit to be taken on its behalf any action that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Bonds issued on a federally tax-exempt basis and will take or require to be taken such acts as may reasonably be within its ability and as may from time to time be required under applicable law to continue the exclusion from gross income for federal income tax purposes of the interest on such Bonds issued on a federally tax-exempt basis. The Authority shall comply with its covenants set forth in the Federal Tax Certificate with respect to the Bonds issued on a federally tax-exempt basis.

(b) *No Bank Qualification.* The Bonds shall not be qualified tax-exempt obligations pursuant to Section 265(b) of the Code for investment by financial institutions.

Section 13. Defaults and Remedies.

(a) *Defaults.* The Authority hereby finds and determines that the failure or refusal of the Authority or any of its officers to perform the covenants and obligations of this resolution will endanger the operation of the Facilities and the application of Gross Revenue and such other moneys, funds and securities to the purposes herein set forth. Any one or more of the following shall constitute a Default under this resolution:

(1) The Authority shall fail to make payment of the principal of any Bond when the same shall become due and payable whether by maturity or scheduled redemption prior to maturity; or

(2) The Authority shall fail to make payments of any installment of interest on any Bond when the same shall become due and payable; or

(3) The Authority shall default in the observance or performance of any other covenants other than conditions, or agreements on the part of the Authority contained in Section 11 of this resolution, and such default shall have continued for a period of 90 days.

In determining whether a payment default has occurred or whether a payment on the Bonds has been made under this resolution, no effect shall be given to payments made under the Bond Insurance Policy, if any.

(b) *Remedies.* In such case, so long as such Default shall not have been remedied, a Bondowners' Trustee may be appointed for the Bonds by the owners of 51% in principal amount or Accreted Value of the Bonds of such series by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys-in-fact duly authorized and delivered to such Trustee, notification thereof being given to the Authority. Any Bondowners' Trustee appointment under the provisions of this Section shall be a bank or trust company organized under the laws of any state or a national banking association. The fees and expenses of a Bondowners' Trustee shall be borne by the Bondowners and not by the Authority. The bank or trust company acting as a Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed by the owners of a majority in principal amount or Accreted Value of the Bonds Outstanding of the applicable series, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondowners or by their attorneys-in-fact duly authorized.

The Bondowners' Trustee appointed in the manner herein provided, and each successor thereto, is hereby declared to be a trustee for the owners of all the Bonds of the series for which

such appointment is made and is empowered to exercise all the rights and powers herein conferred on the Bondowners' Trustee.

A Bondowners' Trustee may upon the happening of a Default and during the continuance thereof, take such steps and institute such suits, actions or other proceedings in its own name, or as trustee, all as it may deem appropriate for the protection and enforcement of the rights of Bondowners to collect any amounts due and owing the Authority, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this resolution. Nevertheless, if the Bondowners' Trustee refuses to take any action after being directed to do so by owners of Bonds, the owners of such Bonds may exercise any of the remedies hereunder.

Any action, suit or other proceedings instituted by a Bondowners' Trustee hereunder shall be brought in its name as trustee for the Bondowners and all such rights of action upon or under any of the Bonds or the provisions of this resolution may be enforced by a Bondowners' Trustee without the possession of any of said Bonds, and without the production of the same at any trial or proceedings relating thereto except where otherwise required by law, and the respective owners of said Bonds by taking and holding the same, shall be conclusively deemed irrevocably to appoint a Bondowners' Trustee the true and lawful trustee to the respective owners of said Bonds, with authority to institute any such action, suit or proceeding; to receive as trustee and deposit in trust any sums that become distributable on account of said Bonds; to execute any paper or documents for the receipt of such money, and to do all acts with respect thereto that the Bondowner might have done in person. Nothing herein contained shall be deemed to authorize or empower any Bondowners' Trustee to consent to accept or adopt, on behalf of any owner of said Bonds or appurtenant coupons, any plan of reorganization or

adjustment affecting the said Bonds or any right of any owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the Authority shall be a party.

No owner of any one or more of the Bonds shall have any right to institute any action, suit or proceedings at law or in equity for the enforcement of the same or coupons appertaining thereto, unless Default shall have happened and be continuing, and unless no Bondowners' Trustee has been appointed for such series as herein provided, but any remedy herein authorized to be exercised by a Bondowners' Trustee may be exercised individually by any Bondowner, in his own name and on his own behalf or for the benefit of all Bondowners, in the event no Bondowners' Trustee has been appointed, or with the consent of the Bondowners' Trustee if such Bondowners' Trustee has been appointed; provided however, that nothing in this resolution or in the Bonds shall affect or impair the obligation of the Authority which is absolute and unconditional, to pay from Net Revenues the principal of and interest on said Bonds to the respective owners thereof at the respective due dates therein specified, or affect or impair the right of action, which is absolute and unconditional, of such owners to enforce such payments.

The remedies herein conferred upon or reserved to the owners of the Bonds and to a Bondowners' Trustee are not intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute. The privileges herein granted shall be exercised from time to time and continued so long as and as often as the occasion therefor may arise and no waiver of any default hereunder, whether by a Bondowners' Trustee or by the owners of Bonds, shall extend to or shall affect any subsequent default or shall

impair any rights or remedies consequent thereon. No delay or omission of the Bondowners or of a Bondowners' Trustee to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or acquiescence therein.

Notwithstanding the foregoing, no default may be waived with respect to any series of Bonds or portion thereof secured or supported by a Credit Facility unless the Bondowners' Trustee with respect thereto has received written confirmation from the issuer thereof that such Credit Facility has been fully reinstated.

Upon any such waiver, such default shall cease to exist, and any Default arising therefrom shall be deemed to have been cured, for every purpose of this resolution; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 14.    Sale of Bonds.

(a)    *Refunding.*    As outlined in Section 2 of this resolution, all or some of the 2007 Bonds may be called for redemption prior to their scheduled maturities. All or some of the 2007 Bonds may be refunded with the proceeds of the Bonds authorized by this resolution. The Designated Authority Representative may refund the 2007 Bonds if and to the extent that the net present value aggregate savings with respect to all 2007 Bonds to be realized as a result of the refunding of the 2007 Bonds, after payment of all costs of issuance of the allocable Bonds, is at least equal to the Savings Target.

(b)    *Bond Sale.*    The Bonds shall be sold at negotiated sale to the Underwriter pursuant to the terms of the Bond Purchase Contract. The Designated Authority Representative is hereby authorized to negotiate terms for the purchase of the Bonds and to execute the Bond Purchase Contract, with such terms as are approved by the Designated Authority Representative pursuant

to this section and consistent with this resolution. The Board has been advised that market conditions are fluctuating and, as a result, the most favorable market conditions may occur on a day other than a regular meeting date of the Board. The Board has determined that it would be in the best interest of the Authority to delegate to the Designated Authority Representative for a limited time the authority to approve the designation of the 2007 Bonds and to approve the number of series, final series designations, and with respect to each series, the final tax status of each series, interest rates, maturity dates, aggregate principal amount, principal amounts and prices of each maturity, redemption rights, and other terms and conditions of the Bonds. The Designated Authority Representative is hereby authorized to approve the number of series, final series designations and with respect to each series, the final tax status, interest rates, maturity dates, aggregate principal amount, principal amounts of each maturity and redemption rights for the Bonds in the manner provided hereafter so long as (1) the aggregate principal amount of the Bonds does not exceed the maximum principal amount set forth in Section 3, (2) the true interest cost of the 2016A Bonds does not exceed 4.50%; and the true interest cost of the 2016B Bonds does not exceed 4.00%; and, (3) with respect to the refunding of the 2007 Bonds, so long as the Savings Target is met (as described in subsection (a) of this Section 14).

In determining the number of series, final series designations, final tax status of each series, interest rates, prices, maturity dates, aggregate principal amount, principal maturities, redemption rights or provisions of the Bonds for approval, the Designated Authority Representative, in consultation with Authority staff, shall take into account those factors that, in his judgment, will result in the most favorable interest cost on the Bonds, including, but not limited to, current financial market conditions and current interest rates for obligations comparable in tenor and quality to the Bonds. Subject to the terms and conditions set forth in

this section, the Designated Authority Representative is hereby authorized to execute the final form of the Bond Purchase Contract, upon his approval of the 2007 Bonds, number of series, final series designation, final tax status of each series, interest rates, maturity dates, aggregate principal amount, principal maturities and redemption rights set forth therein. Following the execution of the Bond Purchase Contract, the Designated Authority Representative shall provide a report to the Board, describing the final terms of the Bonds approved pursuant to the authority delegated in this section. The authority granted to the Designated Authority Representative by this section shall expire on December 31, 2016. If a Bond Purchase Contract for the Bonds has not been executed by December 31, 2016, the authorization for the issuance of the Bonds shall be rescinded, and the Bonds shall not be issued nor their sale approved unless the Bonds shall have been re-authorized by resolution of the Board. The resolution reauthorizing the issuance and sale of the Bonds may be in the form of a new resolution repealing this resolution in whole or in part (only with respect to the Bonds not issued) or may be in the form of an amendatory resolution approving a bond purchase contract or extending or establishing new terms and conditions for the authority delegated under this section.

Upon the adoption of this resolution, the proper officials of the Authority, including the Designated Authority Representative, are authorized and directed to undertake all other actions necessary for the prompt execution and delivery of the Bonds to the Underwriter and further to execute all closing certificates and documents required to effect the closing and delivery of the Bonds in accordance with the terms of the Bond Purchase Contract.

The Designated Authority Representative is authorized to ratify and to approve for purposes of the Rule, on behalf of the Authority, the Official Statement (and to approve and deem final any Preliminary Official Statement) and any supplement thereto relating to the

issuance and sale of the Bonds and the distribution of the Bonds pursuant thereto with such changes, if any, as may be deemed by him to be appropriate.

The Designated Authority Representative and other Authority officials, agents and representatives are hereby authorized and directed to do everything necessary for the prompt issuance, execution and delivery of the Bonds to the Underwriter and for the proper application and use of the proceeds of sale of the Bonds. In furtherance of the foregoing, the Designated Authority Representative is authorized to approve and enter into agreements for the payment of costs of issuance, including Underwriter's discount, the fees and expenses specified in the Bond Purchase Contract, including fees and expenses of Underwriter and other retained services, including Bond Counsel, disclosure counsel, rating agencies, Registrar, escrow agent, verification agent, financial advisory services, escrow structuring services and other expenses customarily incurred in connection with issuance and sale of bonds.

Section 15. Form of Bonds and Registration Certificate.

(a) *Bonds.* The Bonds shall be in substantially the following form with modifications to reflect a particular series:

[STATEMENT OF INSURANCE, if any]  
[DTC LEGEND]

NO. \_\_\_\_\_ UNITED STATES OF AMERICA \$ \_\_\_\_\_  
STATE OF COLORADO  
GRAND JUNCTION REGIONAL AIRPORT AUTHORITY  
REVENUE AND REFUNDING BOND, 2016[A][B] [(Non-AMT)][(Taxable)]

Maturity Date: \_\_\_\_\_, \_\_\_\_\_ CUSIP No. \_\_\_\_\_

Interest Rate:

Registered Owner: Cede & Co.

Principal Amount:

The GRAND JUNCTION REGIONAL AIRPORT AUTHORITY, a political subdivision organized and existing under and by virtue of the laws of the State of Colorado (the “Authority”), promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date identified above, solely from the special fund of the Authority known as the “Grand Junction Regional Airport Authority Revenue Bond Fund” (the “Bond Fund”) created by Resolution No. 2016-007 (the “Bond Resolution”) the Principal Amount indicated above and to pay interest thereon from the Bond Fund from the date of initial delivery, or the most recent date to which interest has been paid or duly provided for or until payment of this bond at the Interest Rate set forth above, payable semiannually on the first days of each \_\_\_\_\_ and \_\_\_\_\_ beginning on \_\_\_\_\_. The principal of, premium, if any, and interest on this bond are payable in lawful money of the United States of America. The principal, premium, if any, and interest shall be paid as provided in the Blanket Issuer Letter of Representations (the “Letter of Representations”) by the Authority to The Depository Trust Company (“DTC”). Capitalized terms used in this bond which are not specifically defined have the meanings given such terms in the Bond Resolution. U.S. Bank National Association has been appointed as the initial registrar, authenticating and paying agent for the bonds of this series.

This bond is one of a series of bonds of the Authority in the aggregate principal amount of \$\_\_\_\_\_, of like date, tenor and effect, except as to number, amount, rate of interest and date of maturity, and is issued pursuant to the Bond Resolution to refund certain outstanding revenue bonds and to pay the costs of improvements to Authority facilities. Simultaneously herewith, the Authority is issuing its Revenue and Refunding Bonds, 2016[A][B] [(Non-AMT)][(Taxable)] in the principal amount of \$\_\_\_\_\_.

The bonds of this issue are issued in full conformity with the constitution and laws of the State of Colorado; Title 11, Article 57, C.R.S.; and all other laws thereunto enabling and pursuant to the Bond Resolution authorizing the issuance of the bonds of this issue which was duly adopted by the Board of Commissioners prior to the issuance and delivery of this bond. Pursuant to Section 11-57-201, *et seq.*, C.R.S., such recital shall conclusively impart full compliance with all of the provisions of Title 11, Article 57, C.R.S., and this bond issued containing such recital is incontestable for any cause whatsoever after its delivery for value.

[The bonds of this series maturing on and prior to \_\_\_\_\_ are not subject to redemption in advance of their scheduled maturity. The bonds of this series maturing on and after \_\_\_\_\_ are subject to redemption at the option of the Authority on and after \_\_\_\_\_ in whole or in part on any date, and if in part, with maturities to be selected by the Authority at the price of 100% of the principal amount thereof plus accrued interest to the date fixed for redemption.][The bonds of this series are not subject to redemption in advance of their scheduled maturity.]

[The bonds of this series are not private activity bonds. The bonds of this series are not “qualified tax-exempt obligations” eligible for investment by financial institutions within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.] [The Authority has taken no action to cause the interest on this bond to be exempt from general federal income taxation.]

So long as this bond is held by DTC or its nominee, the manner of selection of bonds of this issue within a maturity for redemption and transfer of bonds and the provision of notice of redemption shall be governed by the Letter of Representations and DTC’s operational arrangements. Except as provided in the Bond Resolution, the Authority and Registrar shall deem the person in whose name this bond is registered to be the absolute owner hereof for the purpose of receiving payment of the principal of, premium, if any, and interest on the bond and for any and all other purposes whatsoever.

The Authority hereby covenants and agrees with the owner and holder of this bond that it will keep and perform all the covenants of this bond and the Bond Resolution.

The Authority does hereby pledge and bind itself to set aside from Gross Revenue after payment of Operating Expenses, and to pay into the Bond Fund and the Common Reserve Fund the various amounts required by the Bond Resolution to be paid into and maintained in such Funds, all within the times provided by said Bond Resolution.

Said amounts so pledged to be paid out of Gross Revenue into the Bond Fund and Common Reserve Fund are hereby declared to be a first and prior lien and charge upon the Gross Revenue, subject to payment of the Operating Expenses of the Authority and equal in rank to the lien and charge upon such Gross Revenue of the amounts required to pay and secure the payment of the Outstanding Parity Bonds, the 2016[A][B] Bonds and any revenue bonds of the Authority hereafter issued on a parity with the bonds of this issue.

The Authority has further bound itself to maintain all of its properties and facilities that contribute in some measure to such Gross Revenue in good repair, working order and condition, to operate the same in an efficient manner and at a reasonable cost, and to establish, maintain and collect rentals, tariffs, rates and charges in the operation of all of its businesses for as long as any bonds of this issue are outstanding that it will make available, for the payment of the principal thereof and interest thereon as the same shall become due, Net Revenues (as the same are defined in the Bond Resolution) in an amount equal to or greater than the Rate Covenant defined in the Bond Resolution.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication hereon shall have been manually signed by or on behalf of the Registrar.

It is hereby certified and declared that this bond and the bonds of this issue are issued pursuant to and in strict compliance with the Constitution and laws of the State of Colorado and resolutions of the Authority and that all acts, conditions and things required to be done precedent to and in the issuance of this bond have happened, been done and performed.

IN WITNESS WHEREOF, the Grand Junction Regional Airport Authority has caused this bond to be executed by the manual or facsimile signatures of the Chair of the Board of Commissioners, shall be attested by the facsimile or manual signature of the Clerk or Deputy Clerk to the Board and the corporate seal of the Authority to be impressed or a facsimile thereof imprinted or otherwise reproduced hereon as of the \_\_\_\_ day of \_\_\_\_\_, 2016.

GRAND JUNCTION REGIONAL  
AIRPORT AUTHORITY

By \_\_\_\_\_/s/\_\_\_\_\_  
Chair, Board of Commissioners

(SEAL)

ATTEST:

\_\_\_\_\_/s/\_\_\_\_\_  
[Deputy] Clerk

CERTIFICATE OF AUTHENTICATION

Date of Authentication: \_\_\_\_\_

This bond is one of the bonds described in the within mentioned Bond Resolution and is one of the Revenue and Refunding Bonds, 2016[A][B] ([Non-AMT][Taxable]) of the Grand Junction Regional Airport Authority, dated \_\_\_\_\_, 2016.

U.S. Bank National Association, as Registrar

By \_\_\_\_\_  
Authorized Signer

In the event any Bonds are no longer in fully immobilized form, the form of such Bonds may be modified to conform to printing requirements and the terms of this resolution.

(b) *Recitation.* The Bonds shall recite that they are issued under the authority of Title 11, Article 57, C.R.S. Such recital shall conclusively impart full compliance with all provisions and limitations of said Article 57, and all Bonds issued containing such recital shall be incontestable for any cause whatsoever after their delivery for value.

Section 16. Execution. The Bonds shall be executed on behalf of the Authority with the manual or facsimile signature of the Chair of its Board, shall be attested by the manual or facsimile signature of the Clerk or Deputy Clerk thereof and shall have the seal of the Authority impressed or a facsimile thereof imprinted or otherwise reproduced thereon.

Only such Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore recited, manually executed by the Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this resolution.

In case either of the officers of the Authority who shall have executed the Bonds shall cease to be such officer or officers of the Authority before the Bonds so signed shall have been

authenticated or delivered by the Registrar, or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued, and upon such authentication, delivery and issuance, shall be as binding upon the Authority as though those who signed the same had continued to be such officers of the Authority. Any Bond may also be signed and attested on behalf of the Authority by such persons as at the actual date of execution of such Bond shall be the proper officers of the Authority although at the original date of such Bond any such person shall not have been such officer.

Section 17. Lost, Stolen, Mutilated or Destroyed Bonds. In case any Bond shall be lost, stolen, mutilated or destroyed, the Registrar may execute and deliver a new Bond of like series, maturity, date, number and tenor to the Registered Owner thereof upon the owner's paying the expenses and charges of the Authority in connection therewith and upon his/her filing with the Authority evidence satisfactory to the Authority that such Bond was actually lost, stolen or destroyed (including the presentation of a mutilated Bond) and of his/her ownership thereof, and upon furnishing the Authority and the Registrar with indemnity satisfactory to both.

Section 18. Undertaking to Provide Ongoing Disclosure. The Designated Authority Representative is authorized to, in his or her discretion, execute and deliver a Continuing Disclosure Undertaking providing for an undertaking by the Authority to assist the Underwriter in complying with the Rule.

Section 19. Bond Insurance. The payments of the principal of and interest on one or more series, or principal maturities within one or more series, of the Bonds may be insured by the issuance of the Bond Insurance Policy. The Designated Authority Representative may solicit proposals from municipal bond insurance companies, and the Designated Authority Representative, in consultation with the Authority's financial advisor, is hereby authorized to

select the proposal that is deemed to be the most cost effective and further to execute the Bond Insurance Commitment with the Bond Insurer, which may include such covenants and conditions as shall be approved by the Designated Authority Representative.

Section 20. Application of Project Bond and Refunding Bond Proceeds; Refunding Procedures.

(a) *Project Bonds.* The Treasurer is hereby authorized and directed to establish a separate fund or account to hold the proceeds of the Project Bonds (the “Project Fund”). From the money derived from the sale of the Project Bonds:

(1) at the direction of the Designated Authority Representative, all or any portion of the net premium (premium minus costs of issuance) may be deposited in the Bond Fund and used to pay capitalized interest on the Project Bonds coming due on next upcoming interest payment dates (or in the alternative, such net premium may be deposited in the Project Fund and applied to pay costs of the Project); and

(2) the balance of the proceeds of the Project Bonds shall be expended to pay costs of the Project and paying allocable costs of issuance or, in the discretion of the Designated Authority Representative, such costs may be paid under the Costs of Issuance Agreement.

Proceeds of the Project Bonds may be invested by the Treasurer at the direction of the Authority in any legal investment for funds of the Authority.

(b) *Refunding Bonds.* From the money derived from the sale of the Refunding Bonds:

(1) Application of Refunding Bond Proceeds. The net proceeds of sale of the Refunding Bonds shall be remitted to the Escrow Agent and shall be used immediately upon receipt thereof to defease the 2007 Bonds and, at the option of the Designated Authority

Representative, to pay related costs of issuance. The Escrow Agent shall purchase certain Federal Securities (which obligations so purchased, are herein called “Acquired Obligations”), bearing such interest and maturing as to principal and interest in such amounts and at such times which, together with any necessary beginning cash balance, will provide for the payment of:

- (A) Interest on the 2007 Bonds as such interest becomes due on and prior to the Call Date;
- (B) Principal of the 2007 Bonds maturing on December 1, 2016; and
- (C) The redemption price (100% of par) of the 2007 Bonds on the Call Date.

Such Acquired Obligations shall be purchased at a yield not greater than the yield permitted by the Code and regulations relating to acquired obligations in connection with refunding bond issues.

(2) Escrow Agent; Escrow Agreement and Costs of Issuance Agreement. U.S. Bank National Association is hereby appointed to serve as the Escrow Agent for the defeasance and refunding of the 2007 Bonds (the (“Escrow Agent”). A beginning cash balance, if any, and Acquired Obligations shall be deposited irrevocably with the Escrow Agent in an amount sufficient to defease the 2007 Bonds. The proceeds of the Refunding Bonds remaining after acquisition of the Acquired Obligations and provision for the necessary beginning cash balance shall be utilized to pay expenses of the acquisition and safekeeping of the Acquired Obligations and expenses of the issuance of the Refunding Bonds. The Designated Authority Representative is authorized and directed to execute and deliver to the Escrow Agent an Escrow Deposit Agreement substantially in the form attached to this resolution as Exhibit A and a Costs of Issuance Agreement substantially in the form attached to this resolution as Exhibit B with

such changes or modifications to each as the Designated Authority Representative, with the advice of bond counsel to the Authority, considers necessary or advisable.

(3) Redemption. The Authority hereby irrevocably sets aside sufficient funds out of the purchase of Acquired Obligations from proceeds of the Refunding Bonds to make the payments described in subsection (b)(1) of this section.

The Authority hereby irrevocably calls the 2007 Bonds for redemption on their Call Date in accordance with the provisions of the resolution authorizing the redemption and retirement of the 2007 Bonds prior to their fixed maturities. Said defeasance and call for redemption of the 2007 Bonds shall be irrevocable after the issuance of the Refunding Bonds and delivery of the Acquired Obligations to the Escrow Agent.

The Escrow Agent is hereby authorized and directed to provide for the giving of notices of the defeasance and the redemption of the Refunded Bonds in accordance with the resolution authorizing the issuance of the 2007 Bonds. The Treasurer is authorized and requested to provide whatever assistance is necessary to accomplish such redemption and the giving of notices therefor. The costs of publication of such notices shall be an expense of the Authority.

The Authority will take such actions as are found necessary to see that all necessary and proper fees, compensation and expenses of the Escrow Agent shall be paid when due.

The Authority hereby irrevocably sets aside for and pledges to the payment of the 2007 Bonds the moneys and obligations to be deposited with the Escrow Agent pursuant to the Escrow Agreement to accomplish the plan of refunding and defeasance of the 2007 Bonds set forth herein and in the Escrow Agreement. When all of the 2007 Bonds shall have been redeemed and retired, the Authority may cause any remaining money received from the Escrow Agent to be transferred to the Bond Fund for the purposes set forth above.

Section 21. Issuance of Future Parity Bonds. Except as provided in subsection (a) below, the Authority shall not issue any series of Bonds or incur any additional indebtedness with a parity lien or charge on Net Revenues (on a parity of lien with Bonds at the time Outstanding) unless (i) the Authority shall not have been in default of its Rate Covenant for the immediately preceding Fiscal Year, and (ii) there shall have been filed a certificate (prepared as described in subsection (b) or (c) below) demonstrating fulfillment of the Coverage Requirement in each year in which Future Parity Bonds will be Outstanding, (iii) if the issuance of the Future Parity Bonds will cause an increase in a reserve account requirement for the reserve fund or account applicable to the issuance of such Future Parity Bonds then the Authority will provide in the resolution authorizing the Future Parity Bonds that it will fund the reserve account requirement not later than the date of issuance of the Future Parity Bonds.

(a) *No Certificate Required.* A certificate shall not be required as a condition to the issuance of Bonds:

(1) if the Future Parity Bonds being issued are for the purpose of refunding Outstanding Parity Bonds upon compliance with the provisions of Section 22 of this resolution; or

(2) if the Future Parity Bonds are being issued to pay Costs of Construction of Facilities for which Bonds have been issued previously and the principal amount of such Future Parity Bonds being issued for completion purposes does not exceed an amount equal to an aggregate of 15% of the principal amount of Parity Bonds theretofore issued for such Facilities and reasonably allocable to the Facilities to be completed as shown in a written certificate of the Designated Authority Representative, and there is delivered a Consultant's certificate stating that the nature and purpose of such Facilities has not materially changed.

(b) *Certificate of the Authority Without A Consultant.* A certificate may be delivered by the Authority without a Consultant if the Net Revenues, based upon the financial statements of the Authority for the Base Period, corroborated by an independent certified public accounting firm for the Base Period, demonstrate that the Coverage Requirement will be fulfilled in each year in which Future Parity Bonds will be Outstanding.

(c) *Certificate of a Consultant.* Except as provided in subsections (a) and (b), compliance with the coverage requirements of this Section 21 shall be demonstrated conclusively by a certificate of a Consultant.

In making the computations of Net Revenues for the purpose of certifying compliance with the Coverage Requirement of this Section 21, the Consultant shall use as a basis the Net Revenues for the Base Period. In making such computations the Consultant shall make such adjustments as deemed reasonable by the Consultant.

If Debt Service Offsets are or have been used for the purposes of meeting the conditions of this Section 21, the Authority shall, by resolution, identify and irrevocably pledge the receipts that constitute such Debt Service Offset for the duration of compliance with the Coverage Requirement.

Section 22. Refunding Bonds. The Authority, by means of a resolution may issue refunding Parity Bonds hereunder as follows:

(a) Future Parity Bonds may be issued at any time for the purpose of refunding (including by purchase) Parity Bonds, including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption (or purchase) and the expenses of issuing the Future Parity Bonds to purchase or refund the same and of effecting such refunding upon delivery of a certificate as provided in Section 21 hereof. Such refunding Future Parity

Bonds also may be issued without a certificate if the Maximum Annual Debt Service on all Parity Bonds to be Outstanding after the issuance of the refunding Future Parity Bonds shall not be greater than the Maximum Annual Debt Service were such refunding not to occur.

(b) Future Parity Bonds may be issued at any time for the purpose of refunding (including by purchase) any other obligations of the Authority, including amounts to pay principal thereof and redemption premium, if any, and interest thereon to the date of redemption of such bonds (or purchase) and the expenses of issuing the Future Parity Bonds to purchase or refund the same and of effecting such refunding; provided, however, that prior to the issuance of such Future Parity Bonds the Authority must provide a certificate if required by Section 21 hereof.

(c) Future Parity Bonds may be issued for the purpose of refunding (including by purchase) at any time within one year prior to maturity, any Parity Bonds for the payment of which sufficient Net Revenues or other money are not available, without the requirement of a certificate pursuant to Section 21 hereof.

Section 23. Adoption of Supplemental Resolutions and Purposes Thereof.

(a) *Amendments and Supplements Without Consent.* The Board from time to time and at any time may adopt resolutions supplemental to this resolution affecting the Bonds, which resolution or resolutions thereafter shall become a part of this resolution, for any one or more of the following purposes:

(1) To add to the covenants and agreements of the Authority contained in this resolution, other covenants and agreements thereafter to be observed, or to surrender any right or power herein reserved to or conferred upon the Authority with respect to the Bonds;

(2) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this resolution or in regard to matters or questions arising under this resolution as the Board may deem necessary or desirable and not inconsistent with this resolution and which shall not adversely affect the interest of the Registered Owners of any the Bonds;

(3) To provide for the issuance of Bonds in a different form of book-entry obligations; or

(4) To preserve federal tax-exemption for Bonds of a series issued on a tax-exempt basis.

Any such supplemental resolution of the Board may be adopted without the consent of the Registered Owner of any of the Bonds at any time outstanding, notwithstanding any of the provisions of subsection (b) of this section.

(b) *Resolution Amendments and Supplements relating to Bonds With Consent.* With the consent of the Registered Owners of not less than a majority in aggregate principal amount of any Bonds at the time Outstanding, the Board may adopt an resolution or resolutions supplemental to this resolution for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this resolution or of any supplemental resolution; *provided, however,* that no such supplemental resolution shall:

(1) Extend the fixed maturity of any of the Bonds, or reduce the rate of interest thereon, or reduce the amount or change the date of any sinking fund payment requirement, or extend the time of payments of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the Registered Owner of each Bond so affected; or

(2) Reduce the required percentage of Registered Owners of Bonds required to approve any such supplemental resolution without the consent of the Registered Owners of all of the Bonds then outstanding; or

(3) Remove the pledge and lien of this resolution on Gross Revenue or the moneys in the Revenue Fund.

It shall not be necessary for the consent of the Registered Owners of the Bonds under this subsection (b) to approve the particular form of any proposed supplemental resolution, but it shall be sufficient if such consent shall approve the substance thereof.

The issuer of any Credit Facility that is not solely a liquidity facility may be deemed to be the sole owner of any such Bonds issued on or after the effective date of this amended and restated resolution that are secured by such Credit Facility for the purpose of granting consents and exercising voting rights with respect thereto and for any other purpose identified and specified in the applicable Bond Insurance Commitment accepted by the Authority as a condition of issuance of the Credit Facility, except for amendments that alter the interest rate on any such Bonds or their maturity date(s) or redemption terms or principal amounts.

(c) *Effect.* Upon the adoption of any supplemental resolution pursuant to the provisions of subsections (a) or (b), this resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the Authority under this resolution and all Registered Owners of Bonds outstanding hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendment, and all the terms and conditions of any such supplemental resolution shall be deemed to be part of the terms and conditions of this resolution for any and all purposes.

(d) *Notation on Bonds.* Bonds executed and delivered after the execution of any supplemental resolution adopted pursuant to the provisions of subsections (a) or (b) may bear a notation as to any matter provided for in such supplemental resolution, and if such supplemental resolution shall so provide, new Bonds so modified as to conform, in the opinion of the Board, to any modification of this resolution contained in any such supplemental resolution may be prepared by the Authority and delivered without cost to the owners of Bonds then outstanding, upon surrender for cancellation of such Bonds or Bond in equal aggregate principal amounts.

For all purposes under this resolution, if payment of the principal and interest of Parity Bonds of a series are insured by a Credit Facility, and the issuer of the Credit Facility is not in default thereunder, the issuer of the Credit Facility shall be deemed to be the owner of the Bonds of that series for purpose of granting all consents required under this resolution.

Section 24. Severability. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the Authority shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements in this resolution and shall in no way affect the validity of the other provisions of this resolution or of any Parity Bonds.

Section 25. Recording and Authentication. Immediately on its passage this resolution shall be recorded in the records of the Authority kept for that purpose and shall be authenticated by the signatures of the Chairman or Vice Chairman and Clerk or Deputy Clerk of the Board.

Section 26. Effective Date. This resolution shall be effective immediately upon its adoption.

ADOPTED AND APPROVED this 18th day of October, 2016.

---

Chairman

---

Commissioner

(S E A L)

ATTESTED:

---

Clerk

CERTIFICATE

I, the undersigned, Clerk of the Board of Commissioners (the “Board”) of the Grand Junction Regional Airport Authority (the “Authority”), DO HEREBY CERTIFY:

1. That the attached resolution numbered 2016-007 (the “Resolution”), is a true and correct copy of a resolution of the Authority, as finally adopted at a meeting of the Board held on the 18th day of October, 2016, and duly recorded in my office.

2. That said meeting was duly convened and held in all respects in accordance with law, and to the extent required by law, due and proper notice of such meeting was given; that a quorum of the Board was present throughout the meeting and a legally sufficient number of members of the Board voted in the proper manner for the adoption of said Resolution; that all other requirements and proceedings incident to the proper adoption of said Resolution have been duly fulfilled, carried out and otherwise observed, and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of October, 2016.

---

Clerk

(THIS PAGE INTENTIONALLY LEFT BLANK)

**EXHIBIT A**

**ESCROW DEPOSIT AGREEMENT**

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY  
REVENUE AND REFUNDING BONDS, 2016[A (NON-AMT)/B (TAXABLE)]**

**THIS ESCROW AGREEMENT**, dated as of \_\_\_\_\_, 2016 (herein, together with any amendments or supplements hereto, called the “Agreement”) is entered into by and between Grand Junction Regional Airport Authority (the “Authority”) and U.S. Bank National Association, as escrow agent (together with any successor in such capacity, the “Escrow Agent”). The notice addresses of the Authority and the Escrow Agent are shown on Exhibit A attached hereto and made a part hereof.

**WITNESSETH:**

**WHEREAS**, the Authority has issued and there presently remain outstanding the bonds described in Exhibit B (the “Refunded Bonds”); and

**WHEREAS**, pursuant to Resolution No. 2016-007 adopted on October 18, 2016 (the “Bond Resolution”), the Authority has determined to issue its Revenue and Refunding Bonds, 2016[A (Non-AMT)/B (Taxable) (the “Bonds”), a portion of the proceeds of which are being used for the purpose of providing funds to pay the costs of refunding the Refunded Bonds; and

**WHEREAS**, the Escrow Agent has reviewed this Agreement, and is willing to serve as Escrow Agent; and

**WHEREAS**, Causey, Demgen & Moore P.C., independent certified public accountants, has prepared a verification report which is dated \_\_\_\_\_, 2016 (the “Verification Report”) relating to the source and use of funds available to accomplish the refunding of the Refunded Bonds, the investment of such funds and the adequacy of such funds and investments to provide for the payment of the debt service due on the Refunded Bonds; and

**WHEREAS**, pursuant to the Bond Resolution, the Refunded Bonds have been designated for redemption prior to their scheduled maturity dates and, after provision is made for such redemption, the Refunded Bonds will come due in such years, bear interest at such rates, and be payable at such times and in such amounts as are set forth in Exhibit C; and

**WHEREAS**, when Escrowed Securities have been deposited with the Escrow Agent for the payment of all principal and interest of the Refunded Bonds when due, then the Refunded Bonds shall no longer be regarded as outstanding except for the purpose of receiving payment from the funds provided for such purpose; and

**WHEREAS**, the Bonds have been duly authorized to be issued, sold, and delivered for the purpose of obtaining the funds required to provide for the payment of the principal of, interest on and redemption premium (if any) on the Refunded Bonds when due as shown on Exhibit C; and

**WHEREAS**, the Authority desires that, concurrently with the delivery of the Bonds to the purchasers, the proceeds of some or all of the Bonds, together with certain other available funds of the Authority, shall be applied to purchase certain direct obligations of the United States of America hereinafter defined as (the “Escrowed Securities”) for deposit to the credit of the Refunding Account created pursuant to the terms of this Agreement and to establish a beginning cash balance (if needed) in the Refunding Account; and

**WHEREAS**, simultaneously herewith, the Authority is entering into a Costs of Issuance Agreement with the Escrow Agent to provide for the payment of costs of issuance relating to the Bonds;

**NOW, THEREFORE**, in consideration of the mutual undertakings, promises and agreements herein contained, the sufficiency of which hereby are acknowledged, and to secure the full and timely payment of principal of and the interest on the Refunded Bonds, the Authority and the Escrow Agent mutually undertake, promise and agree for themselves and their respective representatives and successors, as follows:

## **Article 1. Definitions**

### **Section 1.1. Definitions.**

Unless the context clearly indicates otherwise, the following terms shall have the meanings assigned to them below when they are used in this Agreement:

***Escrowed Securities*** means the noncallable Government Obligations described in Exhibit D, or cash or other noncallable obligations substituted therefor pursuant to Section 4.2 of this Agreement.

***Government Obligations*** means direct, noncallable (a) United States Treasury Obligations, (b) United States Treasury Obligations - State and Local Government Series, (c) non-prepayable obligations which are unconditionally guaranteed as to full and timely payment of principal and interest by the United States of America or (d) REFCORP debt obligations unconditionally guaranteed by the United States.

***Paying Agent*** means U.S. Bank, National Association, as the paying agent for the Refunded Bonds.

***Refunded Bonds*** means the bonds described in Exhibit B.

***Refunding Account*** mean the Refunding Account created by this Agreement to be established, held and administered by the Escrow Agent pursuant to the provisions of this Agreement.

*Treasurer* means the person designated as such by resolution or Board of Commissioners action of the Authority to perform the duties of the treasurer of the Authority.

### **Section 1.2. Other Definitions.**

The terms “Agreement,” “Bonds,” “Authority,” “Escrow Agent,” “Bond Resolution,” and “Verification Report,” when they are used in this Agreement, shall have the meanings assigned to them in the preamble to this Agreement.

### **Section 1.3. Interpretations.**

The titles and headings of the articles and sections of this Agreement have been inserted for convenience and reference only and are not to be considered a part hereof and shall not in any way modify or restrict the terms hereof. This Agreement and all of the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to achieve the intended purpose of providing for the refunding of the Refunded Bonds in accordance with applicable law.

## **Article 2. Deposit of Funds and Escrowed Securities**

### **Section 2.1. Deposits in the Refunding Account.**

Concurrently with the sale and delivery of the Bonds, the Authority shall deposit, or cause to be deposited, with the Escrow Agent, for deposit in the Refunding Account, the funds sufficient to purchase the Escrowed Securities described in Exhibit D, and the Escrow Agent shall, upon the receipt thereof, acknowledge such receipt to the Authority in writing.

## **Article 3. Creation and Operation of Refunding Account**

### **Section 3.1. Refunding Account.**

The Escrow Agent is authorized and directed to create on its books a special trust account and irrevocable escrow to be known as the Refunding Account (the “Refunding Account”). The Escrow Agent agrees that upon receipt it will deposit to the credit of the Refunding Account certain amounts described in Exhibit D. Such deposit to the Refunding Account, all proceeds therefrom, and all cash balances on deposit therein (a) shall be the property of the Refunding Account, (b) shall be applied only in strict conformity with the terms and conditions of this Agreement, and (c) are hereby irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds, which payment shall be made by timely transfers of such amounts at such times as are provided for in Section 3.2. When the final transfers have been made for the payment of such principal of and interest on the Refunded Bonds, any balance then remaining in the Refunding Account shall be transferred to the Authority, and the Escrow Agent shall thereupon be discharged from any further duties hereunder.

### **Section 3.2. Payment of Principal and Interest.**

The Escrow Agent is hereby irrevocably instructed to transfer to the Paying Agent from the cash balances on deposit in the Refunding Account, the amounts required to pay the principal of the Refunded Bonds at their respective redemption dates and interest thereon to such redemption dates in the amounts and at the times shown in Exhibit C.

### **Section 3.3. Sufficiency of Refunding Account.**

The Authority represents that, based upon the information provided in the Verification Report, the successive receipts of the principal of and interest on the Escrowed Securities will assure that the cash balance on deposit in the Refunding Account will be at all times sufficient to provide money for transfer to the Paying Agent at the times and in the amounts required to pay the interest on the Refunded Bonds as such interest comes due and the principal of the Refunded Bonds as the Refunded Bonds are paid on an optional redemption date prior to maturity, all as more fully set forth in Exhibit E. If, for any reason, at any time, the cash balances on deposit or scheduled to be on deposit in the Refunding Account shall be insufficient to transfer the amounts required by the Paying Agent to make the payments set forth in Section 3.2., the Authority shall timely deposit in the Refunding Account, from any funds that are lawfully available therefor, additional funds in the amounts required to make such payments. Notice of any such insufficiency shall be given promptly as hereinafter provided, but the Escrow Agent shall not in any manner be responsible for any insufficiency of funds in the Refunding Account or the Authority's failure to make additional deposits thereto.

### **Section 3.4. Trust Fund.**

The Escrow Agent shall hold at all times the Refunding Account, the Escrowed Securities and all other assets of the Refunding Account, wholly segregated from all other funds and securities on deposit with the Escrow Agent; it shall never allow the Escrowed Securities or any other assets of the Refunding Account to be commingled with any other funds or securities of the Escrow Agent; and it shall hold and dispose of the assets of the Refunding Account only as set forth herein. The Escrowed Securities and other assets of the Refunding Account shall always be maintained by the Escrow Agent as trust funds for the benefit of the owners of the Refunded Bonds; and a special account shall at all times be maintained on the books of the Escrow Agent. The amounts received by the Escrow Agent under this Agreement shall not be considered as a banking deposit by the Authority, and the Escrow Agent shall have no right to title with respect thereto except as an Agent and Escrow Agent under the terms of this Agreement.

## **Article 4. Limitation on Investments**

### **Section 4.1. Investments.**

Except for the initial investment in the Escrowed Securities, and except as provided in Section 4.2, the Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder, or to make substitutions of the Escrowed Securities, or to sell, transfer, or otherwise dispose of the Escrowed Securities.

**Section 4.2. Substitution of Securities.**

At the written request of the Authority, and upon compliance with the conditions hereinafter stated, the Escrow Agent shall utilize cash balances in the Refunding Account, or sell, transfer, otherwise dispose of or request the redemption of the Escrowed Securities and apply the proceeds therefrom to purchase Refunded Bonds or Government Obligations which do not permit the redemption thereof at the option of the obligor. Any such transaction may be effected by the Escrow Agent only if (a) the Escrow Agent shall have received a written opinion from a firm of certified public accountants that such transaction will not cause the amount of money and securities in the Refunding Account to be reduced below an amount sufficient to provide for the full and timely payment of principal of and interest on all of the remaining Refunded Bonds as they become due, taking into account any optional redemption thereof exercised by the Authority in connection with such transaction; and (b) the Escrow Agent shall have received the unqualified written legal opinion of its bond counsel or tax counsel to the effect that such transaction will not cause any of the Bonds to be an “arbitrage bond” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

**Article 5. Application of Cash Balances**

**Section 5.1. In General.**

Except as provided in Section 2.1, 3.2 and 4.2 hereof, no withdrawals, transfers or reinvestment shall be made of cash balances in the Refunding Account. Cash balances shall be held by the Escrow Agent as cash balances as shown on the books and records of the Escrow Agent and, except as provided herein, shall not be reinvested by the Escrow Agent; provided, however, a conversion to currency shall not be required (i) for so long as the Escrow Agent’s internal rate of return does not exceed 20%, or (ii) if the Escrow Agent’s internal rate of return exceeds 20%, the Escrow Agent receives a letter of instructions, accompanied by the opinion of nationally recognized bond counsel, approving the assumed reinvestment of such proceeds at such higher yield.

**Article 6. Redemption of Refunded Bonds**

**Section 6.1. Call for Redemption.**

The Authority hereby irrevocably calls the Refunded Bonds for redemption on their earliest redemption dates, as shown in Appendix A attached hereto.

**Section 6.2. Notice of Redemption/Notice of Defeasance.**

The Escrow Agent agrees to give a notice of defeasance and a notice of the redemption of the Refunded Bonds to the Paying Agent for dissemination in accordance with the terms of the resolution authorizing the Refunded Bonds adopted on April 24, 2007 of the Board of Commissioners of the Authority and in substantially the forms attached as and as described in Appendices A and B for distribution as described therein. The notice of defeasance shall be given immediately following the execution of this Agreement, and the notice of redemption will be given in accordance with the terms of the Refunded Bonds. The Escrow Agent hereby

certifies that provision satisfactory and acceptable to the Escrow Agent has been made for the giving of notice of redemption of the Refunded Bonds.

## **Article 7. Records and Reports**

### **Section 7.1. Records.**

The Escrow Agent will keep books of record and account in which complete and accurate entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money and Escrowed Securities deposited to the Refunding Account and all proceeds thereof, and such books shall be available for inspection during business hours and after reasonable notice.

### **Section 7.2. Reports.**

While this Agreement remains in effect, the Escrow Agent annually shall prepare and send to the Authority a written report summarizing all transactions relating to the Refunding Account during the preceding year, including, without limitation, credits to the Refunding Account as a result of interest payments on or maturities of the Escrowed Securities and transfers from the Refunding Account for payments on the Refunded Bonds or otherwise, together with a detailed statement of all Escrowed Securities and the cash balance on deposit in the Refunding Account as of the end of such period.

## **Article 8. Concerning the Paying Agent and Escrow Agent**

### **Section 8.1. Representations.**

The Escrow Agent hereby represents that it has all necessary power and authority to enter into this Agreement and undertake the obligations and responsibilities imposed upon it herein, and that it will carry out all of its obligations hereunder.

### **Section 8.2. Limitation on Liability.**

The liability of the Escrow Agent to transfer funds for the payment of the principal of and interest on the Refunded Bonds shall be limited to the proceeds of the Escrowed Securities and the cash balances from time to time on deposit in the Refunding Account. Notwithstanding any provision contained herein to the contrary, the Escrow Agent shall have no liability whatsoever for the insufficiency of funds from time to time in the Refunding Account or any failure of the obligors of the Escrowed Securities to make timely payment thereon, except for the obligation to notify the Authority promptly of any such occurrence.

The recitals herein and in the proceedings authorizing the Bonds shall be taken as the statements of the Authority and shall not be considered as made by, or imposing any obligation or liability upon, the Escrow Agent.

It is the intention of the parties that the Escrow Agent shall never be required to use or advance its own funds or otherwise incur personal financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder.

The Escrow Agent shall not be liable for any action taken or neglected to be taken by it in good faith in any exercise of reasonable care and believed by it to be within the discretion or power conferred upon it by this Agreement, nor shall the Escrow Agent be responsible for the consequences of any error of judgment; and the Escrow Agent shall not be answerable except for its own action, neglect or default, nor for any loss unless the same shall have been through its negligence or want of good faith.

Unless it is specifically otherwise provided herein, the Escrow Agent has no duty to determine or inquire into the happening or occurrence of any event or contingency or the performance or failure of performance of the Authority with respect to arrangements or contracts with others, with the Escrow Agent's sole duty hereunder being to safeguard the Refunding Account, to dispose of and deliver the same in accordance with this Agreement. If, however, the Escrow Agent is called upon by the terms of this Agreement to determine the occurrence of any event or contingency, the Escrow Agent shall be obligated, in making such determination, only to exercise reasonable care and diligence, and in event of error in making such determination the Escrow Agent shall be liable only for its own misconduct or its negligence. In determining the occurrence of any such event or contingency the Escrow Agent may request from the Authority or any other person such reasonable additional evidence as the Escrow Agent in its discretion may deem necessary to determine any fact relating to the occurrence of such event or contingency, and in this connection may make inquiries of, and consult with, among others, the Authority at any time.

### **Section 8.3. Successor Escrow Agents.**

If at any time the Escrow Agent or its legal successor or successors should become unable, through operation of law or otherwise, to act as Escrow Agent hereunder, or if its property and affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy or for any other reason, a vacancy shall forthwith exist in the office of Escrow Agent hereunder. In such event the Authority, by appropriate action, promptly shall appoint an Escrow Agent to fill such vacancy. If no successor Escrow Agent shall have been appointed by the Authority within 60 days, a successor may be appointed by the owners of a majority in principal amount of the Refunded Bonds then outstanding by an instrument or instruments in writing filed with the Authority, signed by such owners or by their duly authorized attorneys-in-fact. If, in a proper case, no appointment of a successor Escrow Agent shall be made pursuant to the foregoing provisions of this section within three months after a vacancy shall have occurred, the owner of any Refunded Bonds may apply to any court of competent jurisdiction to appoint a successor Escrow Agent. Such court may thereupon, after such notice, if any, as it may deem proper, prescribe and appoint a successor Escrow Agent.

Any successor Escrow Agent shall be a corporation organized and doing business under the laws of the United States or any state, authorized under such laws to exercise corporate trust

powers, having a combined capital and surplus of at least \$100,000,000 and subject to the supervision or examination by federal or state authority.

Any successor Escrow Agent shall execute, acknowledge and deliver to the Authority and the Escrow Agent an instrument accepting such appointment hereunder, and the Escrow Agent shall execute and deliver an instrument transferring to such successor Escrow Agent, subject to the terms of this Agreement, all the rights, powers and trusts of the Escrow Agent hereunder. Upon the request of any such successor Escrow Agent, the Authority shall execute any and all instruments in writing for more fully and certainly vesting in and confirming to such successor Escrow Agent all such rights, powers and duties.

The obligations assumed by the Escrow Agent pursuant to this Agreement may be transferred by the Escrow Agent to a successor Escrow Agent if (a) the requirements of this Section 8.3 are satisfied; (b) the successor Escrow Agent has assumed all the obligations of the Escrow Agent under this Agreement; and (c) all of the Escrowed Securities and money held by the Escrow Agent pursuant to this Agreement have been duly transferred to such successor Escrow Agent.

## **Article 9. Miscellaneous**

### **Section 9.1. Notice.**

Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the Authority or the Escrow Agent at the address shown on Exhibit A attached hereto. The United States Post Office registered or certified mail receipt showing delivery of the aforesaid shall be conclusive evidence of the date and fact of delivery. Any party hereto may change the address to which notices are to be delivered by giving to the other parties not less than ten days prior notice thereof.

### **Section 9.2. Termination of Responsibilities.**

Upon the taking of all the actions as described herein by the Escrow Agent, the Escrow Agent shall have no further obligations or responsibilities hereunder to the Authority, the owners of the Refunded Bonds or to any other person or persons in connection with this Agreement.

### **Section 9.3. Binding Agreement.**

This Agreement shall be binding upon the Authority and the Escrow Agent and their respective successors and legal representatives, and shall inure solely to the benefit of the owners of the Refunded Bonds, the Authority, the Escrow Agent and their respective successors and legal representatives.

### **Section 9.4. Severability.**

In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or

unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein.

**Section 9.5. Colorado Law Governs.**

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Colorado.

**Section 9.6. Time of the Essence.**

Time shall be of the essence in the performance of obligations from time to time imposed upon the Escrow Agent by this Agreement.

**Section 9.7. Notice to Moody's.**

In the event that this agreement or any provision thereof is severed, amended or revoked, the Authority shall provide written notice of such severance, amendment or revocation to Moody's Investors Service at 7 World Trade Center at 250 Greenwich Street, New York, New York, 10007, Attention: Public Finance Rating Desk/Refunded Bonds.

**Section 9.8. Amendments.**

This Agreement shall not be amended except to cure any ambiguity or formal defect or omission in this Agreement. No amendment shall be effective unless the same shall be in writing and signed by the parties thereto. No such amendment shall adversely affect the rights of the holders of the Refunded Bonds. No such amendment shall be made without first receiving written confirmation from the rating agencies, (if any) which have rated the Refunded Bonds that such administrative changes will not result in a withdrawal or reduction of its rating then assigned to the Refunded Bonds. If this Agreement is amended, prior written notice and copies of the proposed changes shall be given to the rating agencies which have rated the Refunded Bonds.

**EXECUTED** as of the date first written above.

**GRAND JUNCTION REGIONAL AIRPORT  
AUTHORITY**

---

Airport Manager

**U.S. BANK NATIONAL ASSOCIATION**

---

Authorized Signer

Exhibit A	—	Addresses of the Authority and the Escrow Agent
Exhibit B	—	Description of the Refunded Bonds
Exhibit C	—	Schedule of Debt Service of the Refunded Bonds
Exhibit D	—	Description of Beginning Cash Deposit (if any) and Escrowed Securities
Exhibit E	—	Refunding Account Cash Flow
Appendix A	—	Notice of Redemption of the Refunded Bonds
Appendix B	—	Notice of Defeasance of the Refunded Bonds

## **EXHIBIT A**

### **Addresses of the Authority and Escrow Agent**

**Authority:** Grand Junction Regional Airport Authority  
2828 Walker Field Drive  
Grand Junction, Colorado 81506  
Attention: Airport Manager

**Escrow Agent:** U.S. Bank National Association  
950 17th Street  
DN-CO-T12C  
Denver, Colorado 80202  
Attention: Global Corporate Trust Services

**EXHIBIT B**  
**Description of the Refunded Bonds**

**Walker Field, Colorado, Public Airport Authority**  
**(Mesa County, Colorado)**  
**General Airport Revenue Bonds, Series 2007**  
**(the “Refunded Bonds”)**

Maturity Dates (December 1)	Interest Rates	Principal Amounts	CUSIP Numbers
2016	4.50%	\$ 875,000	931637CT7
2017	4.50	910,000	931637CU4
2022*	5.00	5,270,000	931637CV2
2027*	4.75	6,705,000	931637CW0

**EXHIBIT C**

**Schedule of Debt Service of the Refunded Bonds**

<b>Date</b>	<b>Interest</b>	<b>Principal/ Redemption Price</b>	<b>Total</b>
-------------	-----------------	--	--------------

**EXHIBIT D**

**Description of Beginning Cash Deposit and Escrowed Securities**

**I. Cash \$\_\_\_\_\_**

**II. Other Obligations**

<u>Description</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Total Cost</u>
--------------------	----------------------	-------------------------	----------------------	-------------------

**EXHIBIT E**

**Refunding Account Cash Flow**

<u>Date</u>	<u>Escrow Requirement</u>	<u>Net Escrow Receipts</u>	<u>Excess Receipts</u>	<u>Cash Balance</u>
-------------	---------------------------	----------------------------	------------------------	---------------------

**APPENDIX A**  
**Notice of Redemption\***  
**Walker Field, Colorado, Public Airport Authority**  
**(Mesa County, Colorado)**  
**General Airport Revenue Bonds, Series 2007**

NOTICE IS HEREBY GIVEN that Grand Junction Regional Airport Authority (fka Walker Field Public Airport Authority) has called for redemption on December 1, 2017 its outstanding General Airport Revenue Bonds, Series 2007 (the “Bonds”).

The Bonds will be redeemed at a price of one hundred percent (100%) of their principal amount, plus interest accrued to December 1, 2017. The redemption price of the Bonds is payable on presentation and surrender of the Bonds at the office of:

By Mail, Hand or Overnight Mail to:
U.S. Bank, National Association
_____
_____
_____

Interest on all Bonds or portions thereof which are redeemed shall cease to accrue on December 1, 2017.

The following Bonds are being redeemed (dated May 17, 2007):

Maturity Dates (December 1)	Interest Rates	Principal Amounts	CUSIP Numbers
2022*	5.00%	\$ 5,270,000	931637CV2
2027*	4.75	6,705,000	931637CW0

**By Order of Grand Junction Regional Airport Authority**

**U.S. Bank National Association, as Paying Agent**

Dated: \_\_\_\_\_.

---

\* This notice shall be given not more than 60 nor less than 30 days prior to December 1, 2017 by first class mail to each registered owner of the Refunded Bonds. In addition notice shall be mailed at least 30 days prior to The Depository Trust Company of New York, New York; Wells Fargo Brokerage Services, LLC; Moody’s Ratings Services; and submitted to the Municipal Securities Rulemaking Board.

Withholding of 28% of gross redemption proceeds of any payment made within the United States may be required by the Jobs and Growth Tax Relief Reconciliation Act of 2003 (the “Act”) unless the Paying Agent has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your Bonds.

**APPENDIX B**  
**Notice of Defeasance\***  
**Walker Field, Colorado, Public Airport Authority**  
**(Mesa County, Colorado)**  
**General Airport Revenue Bonds, Series 2007**

NOTICE IS HEREBY GIVEN to the owners of that portion of the above captioned bonds with respect to which, pursuant to an Escrow Agreement dated \_\_\_\_\_, 2016, by and between Grand Junction Regional Airport Authority (fka Walker Field Public Airport Authority) (the "Authority") and U.S. Bank National Association (the "Escrow Agent"), the Authority has deposited into an escrow account, held by the Escrow Agent, cash and non-direct obligations of the United States of America, the principal of and interest on which, when due, will provide money to pay each year, to and including the respective maturity or redemption dates of such bonds so provided for, the principal thereof and interest thereon (the "Defeased Bonds"). Such Defeased Bonds are therefore deemed to be no longer outstanding pursuant to the resolution adopted on April 24, 2007 of the Authority authorizing the Defeased Bonds, but will be paid by application of the assets in such escrow.

The Defeased Bonds are described as follows:

Walker Field, Colorado, Public Airport Authority  
(Mesa County, Colorado)  
General Airport Revenue Bonds, Series 2007  
(Dated May 17, 2007)

Maturity Dates (December 1)	Interest Rates	Principal Amounts	CUSIP Numbers	Call Date (@ 100%)
2016	4.50%	\$ 875,000	931637CT7	N/A
2017	4.50	910,000	931637CU4	N/A
2022*	5.00	5,270,000	931637CV2	12/01/2017
2027*	4.75	6,705,000	931637CW0	12/01/2017

**Information for Individual Registered Owner**

The addressee of this notice is the registered owner of Bond Certificate No. \_\_\_\_\_ of the Defeased Bonds described above, which certificate is in the principal amount of \$\_\_\_\_\_.

Dated: \_\_\_\_\_, 2016.

**U.S. Bank National Association, as Escrow Agent**

\_\_\_\_\_  
\* This notice shall be given immediately by first class mail to each registered owner of the Defeased Bonds and submitted to the Municipal Securities Rulemaking Board.

(THIS PAGE INTENTIONALLY LEFT BLANK)

**EXHIBIT B**

**COSTS OF ISSUANCE AGREEMENT**

**GRAND JUNCTION REGIONAL AIRPORT AUTHORITY  
REVENUE AND REFUNDING BONDS, 2016[A (NON-AMT)/B (TAXABLE)]**

**THIS COSTS OF ISSUANCE AGREEMENT**, dated as of \_\_\_\_\_, 2016 (herein, together with any amendments or supplements hereto, called the “Agreement”), is entered into by and between the GRAND JUNCTION REGIONAL AIRPORT AUTHORITY, (herein called the “Authority”) and U.S. BANK NATIONAL ASSOCIATION, as Escrow Agent (herein, together with any successor in such capacity, called the “Escrow Agent”).

**WITNESSETH:**

**WHEREAS**, pursuant to Resolution No. 2016-007 adopted on October 18, 2016 (the “Bond Resolution”), the Authority has determined to issue its Revenue and Refunding Bonds, 2016[A (Non-AMT)/B (Taxable)] (the “Bonds”) for the purpose of providing funds to pay the costs of issuance of the Bonds and refunding certain outstanding obligations of the Authority; and

**WHEREAS**, simultaneously herewith, the Authority is entering into an Escrow Deposit Agreement, dated \_\_\_\_\_, 2016 under which the Escrow Agent will hold invested proceeds of the Bonds in order to pay and redeem the Refunded Bonds under the terms set forth therein; and

**WHEREAS**, certain proceeds of the Bonds will be delivered to the Escrow Agent on the date of issuance of the Bonds that are required to be disbursed to pay costs of issuance of the Bonds; and

**WHEREAS**, the Escrow Agent has agreed, without additional compensation to disburse the Bond proceeds received to pay costs of issuance under the terms of this Agreement;

**Section 1. Deposit in the Costs of Issuance Fund.**

The Escrow Agent has created on its books a special trust fund and escrow fund to be known as the Costs of Issuance Fund. The Escrow Agent agrees that upon receipt it will deposit to the credit of the Costs of Issuance Fund Account the sum of \$\_\_\_\_\_ to pay those costs of issuance set forth in Exhibit A attached to this Agreement. Such deposit, all proceeds therefrom, and all cash balances on deposit therein shall be the property of the Costs of Issuance Fund to pay those costs of issuance set forth in Exhibit A upon receipt of invoices. If any of the \$\_\_\_\_\_ deposit allocated for costs of issuance for the Bonds remains unspent on \_\_\_\_\_, 2016, the Escrow Agent shall transfer such unspent amount to the Authority, and this Agreement shall be deemed fully performed and terminated.

**Section 2. Investments.**

The Escrow Agent shall not have any power or duty to invest or reinvest any money held hereunder.

**Section 3. Limitation on Liability.**

The liability of the Escrow Agent to transfer funds for the payment of the costs of issuance identified herein shall be limited to the proceeds of the Bonds delivered to the Escrow Agent.

**Section 4. Compensation.**

The Authority shall pay to the Escrow Agent fees for performing the services hereunder and under the Escrow Agreement for the expenses incurred or to be incurred by the Escrow Agent in the administration of this Agreement and the Escrow Agreement pursuant to the terms of the Fee Schedule attached to this Agreement as Exhibit B. The Escrow Agent hereby agrees that in no event shall it ever assert any claim or lien against funds held under the Escrow Agreement for any fees for its services, whether regular or extraordinary, as Escrow Agent, or in any other capacity, or for reimbursement for any of its expenses as Escrow Agent or in any other capacity.

**Section 5. Notice.**

Any notice, authorization, request, or demand required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when mailed by registered or certified mail, postage prepaid addressed to the Authority, the Treasurer or the Escrow Agent at the address shown on Exhibit A to the Escrow Agreement.

**Section 6. Colorado Law Governs.**

This Agreement shall be governed exclusively by the provisions hereof and by the applicable laws of the State of Colorado.

**EXECUTED** as of the date first written above.

**GRAND JUNCTION REGIONAL AIRPORT  
AUTHORITY**

---

Airport Manager

**U.S. BANK NATIONAL ASSOCIATION**

---

Authorized Signer

Exhibit A - Costs of Issuance Schedule  
Exhibit B - Fee Schedule

**EXHIBIT A**

**Costs of Issuance**

Escrow Agent Fee (U.S. Bank National Association) .....	\$
Bond/Disclosure Counsel Fee (K&L Gates LLP) ..	
Verification Agent Fee (Causey Demgen & Moore P.C.) .....	
_____ Fee (_____)	.....
Rating Agency Fee (Moody's) .....	_____
Total: .....	\$ <u>          </u>

**EXHIBIT B**  
**Fee Schedule**

(THIS PAGE INTENTIONALLY LEFT BLANK)

**APPENDIX E**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

(THIS PAGE INTENTIONALLY LEFT BLANK)

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the Grand Junction Regional Airport Authority (the “Authority”) in connection with the issuance of its \$16,975,000 General Airport Revenue and Refunding Bonds, 2016A (Non-AMT) and \$2,695,000 General Airport Revenue and Refunding Bonds, 2016B (Taxable) (collectively the “Bonds”). The Authority covenants and agrees as follows:

For purposes of the Authority’s undertaking pursuant to the Rule (the “undertaking”), “beneficial owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond, including persons holding Bonds through nominees or depositories or other intermediaries.

(a) Financial Statements/Operating Data.

(1) *Annual Disclosure Report.* The Authority covenants and agrees that not later than nine months after the end of each fiscal year (the “Submission Date”), commencing September 30, 2017 for the fiscal year ending December 31, 2016, the Authority shall provide or cause to be provided to the Municipal Securities Rulemaking Board (the “MSRB”), an annual report (the “Annual Disclosure Report”) that is consistent with the requirements of part (2) of this subsection (a). The Annual Disclosure Report may be submitted as a single document or as separate documents comprising a package and may include by reference other information as provided in part (2) of this subsection (a); provided that any audited annual financial statements may be submitted separately from the balance of the Annual Disclosure Report and later than the Submission Date if such audited financial statements are not available by the Submission Date. If the Authority’s fiscal year changes, the Authority shall give notice of such change in the same manner as notice is to be given of the occurrence of an event listed in subsection (b), and if for any fiscal year the Authority does not furnish an Annual Disclosure Report to the MSRB, by the Submission Date, the Authority shall send to MSRB notice of its failure to furnish such report pursuant to subsection (c).

(2) *Content of Annual Disclosure Reports.* The Authority’s Annual Disclosure Report shall contain or include by reference the following:

(A) *Audited financial statements.* Audited financial statements, prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units using the accrual basis accounting, except that if any audited financial statements are not available by the Submission Date, the Annual Disclosure Report shall contain unaudited financial statements in a format similar to the audited financial statements most recently prepared for the Authority, and the Authority’s audited financial statements shall be filed in the same manner as the Annual Disclosure Report when and if they become available.

(B) *Operating and Financial Information.* Annual financial information and operating data with respect to the Authority, including historical financial information and operating data of the type provided in the final Official Statement for the Bonds, in such format as the Authority deems appropriate, for:

- Table 3: Grand Junction Regional Airport Historical Enplaned Passengers,
- Table 6: Aircraft Operations,
- Table 7: Cargo Operations, and
- Table 12: Statements of Revenues, Expenses and Changes in Net Position.

Any or all of the listed items may be included by specific reference to other documents, including official statements of debt issues of the Authority, or of any related entity that have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Authority shall identify clearly each document so included by reference.

(b) *Listed Events.* The Authority agrees to provide or cause to be provided to the MSRB, in a timely manner, not in excess of 10 business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

1. Principal and interest payment delinquencies;
2. Non payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
7. Modifications to the rights of Bond owners, if material;
8. Bond calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Authority;
13. The consummation of a merger, consolidation, or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

Solely for purposes of information, but without intending to modify the Authority's undertaking, with respect to the notice regarding property securing the repayment of the Bonds, that there is no property securing the repayment of the Bonds.

(c) *Notice Upon Failure to Provide Financial Data.* The Authority agrees to provide or cause to be provided, in a timely manner, to the MSRB, notice of its failure to provide the annual financial information described in subsection (a) above on or prior to the Submission Date.

(d) *Format for Filings with the MSRB.* All notices, financial information and operating data required by this undertaking to be provided to the MSRB must be in an electronic format as prescribed by the MSRB. All documents provided to the MSRB pursuant to this undertaking must be accompanied by identifying information as prescribed by the MSRB.

(e) *Termination/Modification.* The Authority's obligations to provide annual financial information and notices of material events shall terminate upon the legal defeasance (if notice of such defeasance is given as provided above) or payment in full of all of the Bonds. The undertaking, or any provision hereof, shall be null and void if the Authority (1) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require the undertaking, or any such provision, have been repealed retroactively or otherwise do not

apply to the Bonds; and (2) notifies the MSRB of such opinion and the cancellation of the undertaking. The Authority may amend the undertaking and any provision of the undertaking may be waived, in accordance with the Rule; *provided that* (A) if the amendment or waiver relates to the provisions of subsections (a)(1), (a)(2) or (b) above, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; (B) the undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and (C) the amendment or waiver does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the beneficial owners of the Bonds.

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

(f) *Registered Owner's and Beneficial Owners' Remedies Under the Undertaking.* A Registered Owner's and the beneficial owners' right to enforce the provisions of the undertaking shall be limited to a right to obtain specific enforcement of the Authority's obligations under the undertaking, and any failure by the Authority to comply with the provisions of the undertaking shall not be a default under the Resolution.

(g) *Additional Information.* Nothing in the undertaking shall be deemed to prevent the Authority from disseminating any other information, using the means of dissemination set forth in the undertaking or any other means of communication, or including any other information in any Annual Disclosure Report or notice of occurrence of an event, in addition to that which is required by the undertaking. If the Authority chooses to include any information in any Annual Disclosure Report or notice of the occurrence of an event in addition to that specifically required by this undertaking, the Authority shall have no obligation under the Resolution to update such information or to include it in any future Annual Disclosure Report or notice of occurrence of an event.

GRAND JUNCTION REGIONAL AIRPORT  
AUTHORITY

By: \_\_\_\_\_  
Designated Authority Representative

(THIS PAGE INTENTIONALLY LEFT BLANK)

**APPENDIX F**

**DEMOGRAPHIC AND ECONOMIC INFORMATION**

(THIS PAGE INTENTIONALLY LEFT BLANK)

## APPENDIX F

### DEMOGRAPHIC AND ECONOMIC INFORMATION

The following information is provided to give prospective investors general information concerning selected economic and demographic conditions existing in the area within which the Authority is located. The statistics presented below have been obtained from the referenced sources and represent the most current information available from such sources; however, certain of the information is released only after a significant amount of time has passed since the most recent date of the reported data and therefore, such information may not be indicative of economic and demographic conditions as they currently exist or conditions which may be experienced in the near future. Further, other economic and demographic information not presented herein may be available concerning the area in which the Authority is located and prospective investors may want to review such information prior to making their investment decision. *The following information is not to be relied upon as a representation or guarantee of the Authority or their officers, employees or advisors.*

#### Population

The following table sets forth a history of the population of the County and the State. Between 2000 and 2010, the population of the County increased 26.21%, and the population of the State increased by 16.92%.

Year	<u>Population<sup>(1)</sup></u>			
	<u>Mesa-County</u>	<u>Percent Change</u>	<u>Colorado</u>	<u>Percent Change</u>
2000	116,255	—	4,301,261	—
2010	146,723	26.21%	5,029,196	16.92%
2011	147,372	0.44	5,119,480	1.80
2012	147,720	0.24	5,191,731	1.41
2013	147,676	(0.03)	5,271,132	1.53
2014	147,890	0.14	5,355,588	1.60
2015	148,513	0.42	5,456,574	1.89

<sup>(1)</sup> Figures for 2000 and 2010 are from Census Data. Figures for 2011 through 2015 are estimates.

Source: U.S. Census Bureau, Population Division

## Age Distribution

The following table provides age distribution for the most recent year available for the State's population and the population nationwide.

	<b>Colorado</b>		<b>United States</b>	
	<b>Population (millions)</b>	<b>% of Total</b>	<b>Population (millions)</b>	<b>% of Total</b>
Under 18	1.26	23.0%	73.65	22.9%
18 to 24	0.53	9.7	31.22	9.7
25 to 44	1.56	28.5	84.73	26.4
45 to 64	1.40	25.6	84.07	26.2
65+	0.71	13.0	47.76	14.9
Total <sup>(1)</sup>	5.47	100.0	321.42	100.0
Median Age	36.5		37.8	

<sup>(1)</sup> Total may not add due to rounding

Source: U.S. Census Bureau, American Fact Finder

## Housing

According to the U.S. Census Bureau, in 2010 there were 58,095 households in the County and 1,972,868 households in the State, and in 2000 there were 45,823 households in the County and 1,658,238 households in the State, which is a 26.8% and 19.0% increase, respectively, over that 10-year period.

## Income

The following table sets forth annual per capita personal income levels for the County, the State, and the United States.

<b>Year</b>	<b>Mesa County</b>	<b>Colorado</b>	<b>United States</b>
2010	\$33,379	\$41,877	\$40,277
2011	34,929	44,349	42,453
2012	36,418	46,402	44,266
2013	36,403	46,746	44,438
2014	38,074	48,869	46,049
2015	Not Available	50,410	47,669

Source: United States Department of Commerce, Bureau of Economic Analysis, Regional Data, GDP & Personal Income

## Employment

The following table presents information on employment within the County, the State and the United States, for the time period indicated.

### Labor Force and Percent Unemployed

Year	Mesa County		Colorado		United States
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2011	75,475	10.3%	2,726,568	8.7%	8.9%
2012	75,007	9.7	2,751,559	8.4	8.1
2013	73,877	8.7	2,772,829	6.8	7.4
2014	73,543	6.2	2,809,255	5.0	6.2
2015	72,039	5.5	2,822,690	3.9	5.3
2016	NA	NA	2,890,843 <sup>(1)</sup>	3.8	4.9 <sup>(1)</sup>

<sup>(1)</sup> Preliminary figures as of August, 2016.

Source: Department of Labor, Bureau of Labor Statistics.

The following table shows County employment by industry for 2011 through 2016 and the first quarter of 2016. Industry designations are based on the North American Industrial Classification System.

**Employment by Industry**  
**Mesa County**

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<b>First Quarter 2016</b>
Agriculture, Forestry, Fishing, Hunting	390	421	390	386	397	294
Mining	3,423	3,499	2,707	3,116	2,404	1,956
Utilities	360	342	340	348	352	339
Construction	3,617	3,452	3,574	3,890	4,069	3,956
Manufacturing	2,592	2,622	2,719	2,792	2,835	2,758
Wholesale Trade	2,228	2,271	2,301	2,547	2,510	2,358
Retail Trade	7,699	7,796	7,808	7,781	8,001	8,084
Transportation & Warehousing Information	2,628	2,659	2,613	2,498	2,578	2,459
Information	917	896	882	840	758	742
Finance & Insurance	1,829	1,876	1,876	1,890	1,938	1,980
Real Estate, Rental & Leasing	968	1,008	1,037	1,065	1,078	994
Professional & Technical Services	2,227	2,257	2,264	2,269	2,249	2,104
Management of Companies & Enterprises	122	128	133	127	151	145
Administrative & Waste Services	2,908	2,994	3,098	3,268	3,128	2,877
Educational Services	4,385	4,330	4,384	4,514	4,570	4,677
Health Care & Social Assistance	9,677	9,731	9,955	10,129	10,364	10,696
Arts, Entertainment & Recreation	926	903	929	951	920	964
Accommodation & Food Services	5,944	6,203	6,438	6,550	6,452	6,094
Other Services	1,682	1,728	1,690	1,723	1,720	1,645
Unclassified	D <sup>(1)</sup>	7	18	11	48	78
Public Administration	3,181	3,242	3,257	3,240	3,271	3,145
<b>Total</b>	<b>57,705</b>	<b>58,319</b>	<b>58,407</b>	<b>59,936</b>	<b>59,791</b>	<b>58,376</b>

<sup>(1)</sup> “D” in table indicates disclosure suppression. Due to disclosure suppression, totals for the separate Industries do not equal to total for all Industries.

\*Industry employment levels may not add to total due to rounding.

*Source: State of Colorado, Department of Labor and Employment, Labor Market Information Section, Colorado Employment and Wages.*

**School Enrollment**

The following table presents a five-year history of fall school enrollment for the Mesa County Valley School District 51.

**Mesa County Valley School District 51**

<u>Year</u>	<u>Enrollment</u>
2011	21,917
2012	21,730
2013	21,894
2014	21,742
2015	21,904

*Source: Colorado Department of Education.*

**Major Employers**

The following table shows the largest employers in Grand Valley based on the most current information available as of Spring 2016.

**Selected Major Employers in Grand Junction Metropolitan Area**

<u>Employer</u>	<u>Product or Service</u>	<u>Estimated Number of Employees</u>
Mesa County Valley School District #51	K-12 School District	2,502
St. Mary’s Hospital	Medical Services	1,655
State of Colorado	State Government	1,004
Mesa County	County Government	998
Community Hospital	Medical Services	800
Star Tek Inc.	Outsourcing Services	700
Hilltop Community Resources, Inc.	Human Services Organization	680
VA Medical Center - Grand Junction	Medical Services	650
City Markets, Inc	Grocer	648
Colorado Mesa University	Education	647
City of Grand Junction	Municipal Government	640
West Star Aviation	Aviation Services	425

\*Data provided was provided voluntarily and may not include all leading employers in the area.

\*\*The number of employees represents full-time employees only.

\*\*\*Data as of Spring 2016.

*Source: Grand Junction Economic Partnership*

**Retail Sales**

Annual retail sales figures as reported by the Colorado Department of Revenue for the County and the State are set forth below.

<b>Retail Sales (\$ thousands)</b>				
<b>Year</b>	<b>Mesa County</b>	<b>Percent Change</b>	<b>Colorado</b>	<b>Percent Change</b>
2009	\$3,998,787	—	\$134,058,596	—
2010	4,278,089	7.0%	142,980,300	6.7%
2011	4,910,592	14.8	157,708,535	10.3
2012	4,653,176	(5.2)	164,387,649	4.2
2013	4,557,188	(2.1)	172,784,033	5.1

*Source: State of Colorado, Department of Revenue, Retail Sales Report.*

**Building Permits**

The following table sets forth the building permits and permits related to building issued for Mesa County for the years 2011 through 2015.

<b>Building Permits Issued Mesa County</b>					
	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Total Building Permits	2,980	3,321	3,333	3,300	3,116
Residential	1,244	1,469	1,534	1,604	1,543
Industrial/Commercial	378	316	297	379	363
Other	1,358	1,536	1,502	1,317	1,210

*Source: Mesa County Building Department, Recap of Building Permit Activity.*

**APPENDIX G**

**SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY**

(THIS PAGE INTENTIONALLY LEFT BLANK)

**FINANCIAL GUARANTY INSURANCE POLICY**  
**National Public Finance Guarantee Corporation**  
**Purchase, New York 10577**

Policy No. [POLICY #]

National Public Finance Guarantee Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT], [PAYING AGENT CITY & STATE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that 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 guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

[PAR AMOUNT]  
[FIRST LINE OF LEGAL TITLE]  
[SECOND LINE OF LEGAL TITLE]  
[THIRD LINE OF LEGAL TITLE]  
[FOURTH LINE OF LEGAL TITLE]

Upon receipt of telephonic or electronic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 1 Manhattanville Road, Suite 301, Purchase, New York 10577 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH], [YEAR].

**National Public Finance  
Guarantee Corporation**

\_\_\_\_\_  
President

Attest: \_\_\_\_\_  
Secretary

(THIS PAGE INTENTIONALLY LEFT BLANK)