

## REFUNDING ISSUE

In the opinion of Bond Counsel, under existing law (i) assuming continuing compliance with certain covenants and the accuracy of certain representations, interest on the Bonds is excluded from gross income for federal income tax purposes, except interest on any Bond for any period during which it is held by a "substantial user" or a "related person," as those terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended, and (ii) interest on the Bonds is excluded from the Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, but may be subject to certain federal taxes imposed only on certain corporations. For a more complete discussion of the tax aspects, see "TAX MATTERS" herein.



**\$30,640,000**  
**STATE OF CONNECTICUT**  
**Bradley International Airport**  
**General Airport Revenue Refunding Bonds**  
**Series 2004**

**Dated: Date of Delivery**

**Due: October 1, as shown below**

This Official Statement describes Bradley International Airport (the "Airport") and other matters relating to the Bonds identified above. The Bonds are being issued to provide funds, together with other available moneys, to refund or retire at maturity all of the remaining outstanding Airport Revenue Refunding Bonds, Bradley International Airport, Series 1992 (the "Prior Bonds") of the State of Connecticut (the "State"). The Bonds will be issued under and secured by the Indenture described herein between the State and U.S Bank National Association, as Trustee.

**The Bonds are special obligations of the State and are payable, on a parity with the State's outstanding \$209,870,000 Bradley International Airport Revenue Bonds, Series 2001A and Series 2001B, and any Additional Bonds, only from the Pledged Revenues and other receipts, funds or moneys pledged therefor pursuant to the Indenture. Neither the State nor any political subdivision thereof is subject to any liability for the Bonds except to the extent of such Pledged Revenues and other receipts, funds or moneys pledged therefor pursuant to the Indenture. The issuance of the Bonds will not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. The Bonds will not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the State or of any political subdivision thereof, except as described in the Indenture.**

The Bonds may be owned only in book entry form through a direct or indirect participant in The Depository Trust Company ("DTC"). Interest on the Bonds is payable semiannually on each April 1 and October 1, commencing October 1, 2004. The Bonds will not be subject to optional or mandatory sinking fund redemption prior to maturity but will be subject to extraordinary optional redemption upon the occurrence of certain events as described herein. The Bonds will not be subject to acceleration upon the occurrence of an event of default or otherwise.

The scheduled payment of principal of and interest when due on the Bonds will be guaranteed by a municipal bond insurance policy to be issued simultaneously with the delivery of the Bonds by



The Bond Insurer also will provide the Series 2004 Reserve Account Credit Facility for deposit into the Series 2004 Subaccount of the Debt Service Reserve Account.

*This cover page contains limited information for quick reference only. It is not a summary of the matters relating to the Bonds. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision.*

<u>Maturity</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2005	\$6,000,000	2.50%	1.70%
2006	4,115,000	2.50	2.33
2007	4,900,000	5.00	2.86
2008	4,910,000	5.00	3.30
2009	5,240,000	5.00	3.63
2010	5,475,000	5.00	3.87

The Bonds are being offered when, as and if issued and received by the Underwriter named below, subject to the approval of their legality by Squire, Sanders & Dempsey L.L.P., New York, New York, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by Nixon Peabody LLP, Hartford, Connecticut. Ownership of the Bonds is expected to be available through DTC in New York, New York, on or about July 8, 2004.

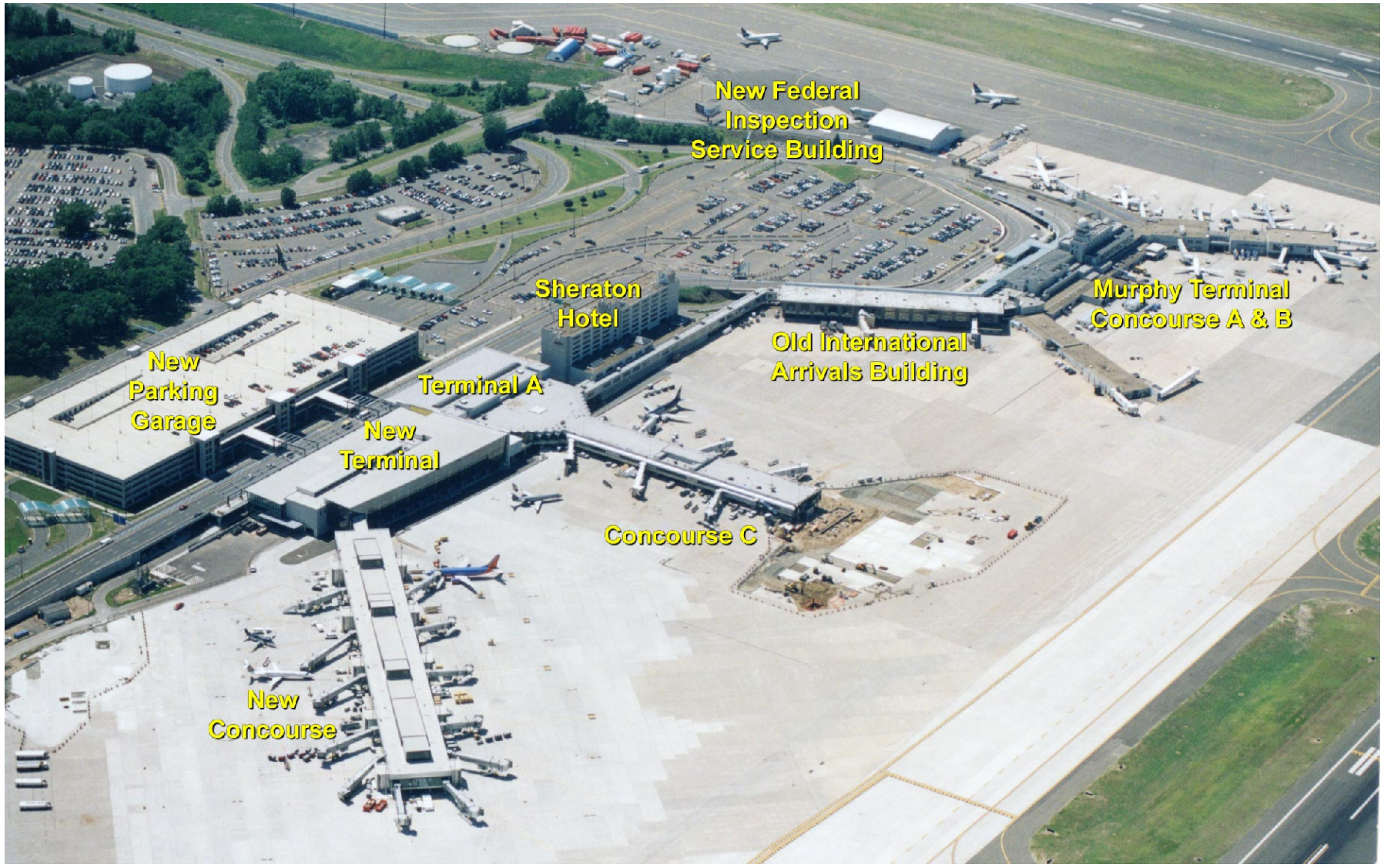
---

**Honorable Denise L. Nappier**  
Treasurer of the State of Connecticut

---

**Bear, Stearns & Co. Inc.**

May 13, 2004



New Federal  
Inspection  
Service Building

Murphy Terminal  
Concourse A & B

Old International  
Arrivals Building

Sheraton  
Hotel

Terminal A

New  
Parking  
Garage

New  
Terminal

Concourse C

New  
Concourse



No dealer, broker or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, in connection with the offering contained herein, and, if given or made, such information or representation must not be relied upon as having been authorized by the State of Connecticut or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any securities other than the Bonds, and there will not be any sale of the Bonds where it is not allowed by law. The delivery of this Official Statement at any time does not imply that the information herein is correct as of any time subsequent to its date.

**IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE 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.**

## TABLE OF CONTENTS

INTRODUCTION .....	1	Airport PFC Approvals .....	43
Purpose of the Bonds .....	1	Master Plan .....	44
Bonds Outstanding Under the Indenture .....	1	STATE OF CONNECTICUT DEPARTMENT OF	
Bradley International Airport .....	2	TRANSPORTATION .....	46
Security for the Bonds .....	4	The State Transportation System .....	46
Bond Insurance and Series 2004 Reserve		Department of Transportation - Organization	
Account Credit Facility .....	5	and Responsibilities .....	46
Miscellaneous .....	5	Bradley Board of Directors .....	47
AUTHORIZATION FOR THE BONDS .....	5	Bureau of Aviation and Ports .....	49
Legal Authority—State Bond Commission .....	5	DEVELOPMENTS AFFECTING THE AIR	
Agreement of the State .....	6	TRANSPORTATION SYSTEM .....	51
THE BONDS .....	6	Significant Events .....	51
General .....	6	Federal Legislation .....	52
Redemption .....	7	Airport Security .....	53
Book-Entry-Only System .....	8	International Visitors .....	54
SOURCES AND USES OF BOND PROCEEDS .....	11	Air Cargo Security .....	54
OUTSTANDING DEBT SERVICE		Airline Competition and Airfares .....	55
REQUIREMENTS FOR THE BONDS .....	12	Availability and Price of Aviation Fuel .....	55
SECURITY AND SOURCES OF PAYMENT FOR		CERTAIN INVESTMENT CONSIDERATIONS .....	56
THE BONDS .....	12	General Issues Affecting Revenues .....	56
Special Obligations of the State .....	12	Uncertainties of the Airline Industry .....	56
Bonds Under the 1982 Indenture .....	13	Airline and Other Bankruptcies .....	57
Parking Garage Bonds and Application of		Aviation Security Concerns .....	57
Parking Revenues .....	13	Airport Insurance .....	58
Series 2004 Reserve Account Credit Facility .....	14	Economic and Political Considerations .....	58
Revenues .....	14	Airline Economics, Competition, and Airfares .....	58
Covenants as to Rates and Charges .....	16	Capacity of National Air Traffic Control and	
Deposit of Revenues and Application of Funds .....	17	Airport Systems .....	59
Additional Bonds .....	20	Additional Information .....	59
Airline Operating Agreements .....	21	Delivery Date of Bonds .....	59
Remedies .....	23	CONTINUING DISCLOSURE AGREEMENT .....	59
BOND INSURANCE AND SERIES 2004		TAX MATTERS .....	60
RESERVE ACCOUNT CREDIT FACILITY .....	24	Original Issue Premium .....	61
Bond Insurance Policy .....	24	ABSENCE OF LITIGATION .....	62
Series 2004 Reserve Account Credit Facility .....	25	RATINGS .....	62
Financial Guaranty Insurance Company .....	26	FINANCIAL ADVISOR .....	62
Financial Guaranty's Credit Ratings .....	27	UNDERWRITING .....	62
BRADLEY INTERNATIONAL AIRPORT .....	28	LEGAL MATTERS .....	63
Introduction .....	28	ADDITIONAL MATTERS .....	63
Air Service Area .....	31	Appendix A – Airport Financial Statements	
The Economy, Population, Income and		Appendix B – Summary of Airline Operating Agreements	
Employment .....	32	Appendix C – Summary of Certain Provisions of the	
Current Facilities .....	33	Indenture	
Selected Financial Information .....	35	Appendix D – Form of Continuing Disclosure Agreement	
Change in Concessions .....	40	Appendix E – Proposed Form of Opinion of Bond Counsel	
Part 150 Study .....	41	Appendix F – Specimen Bond Insurance Policy and Series	
Airport Security .....	41	2004 Reserve Account Credit Facility	
Airport Insurance .....	42		
PFC Program .....	42		

[THIS PAGE INTENTIONALLY LEFT BLANK]

**\$30,640,000**  
**STATE OF CONNECTICUT**  
**Bradley International Airport**  
**General Airport Revenue Refunding Bonds**  
**Series 2004**

**INTRODUCTION**

The purpose of this Official Statement is to provide information concerning the \$30,640,000 Bradley International Airport General Airport Revenue Refunding Bonds, Series 2004 (the “Bonds”) being issued by the State of Connecticut (the “State”). Certain capitalized terms used in this Official Statement, unless otherwise defined in the text, are defined in **Appendix C – Summary of Certain Provisions of the Indenture.**

**Purpose of the Bonds**

The Bonds will be used, along with other available funds, (i) to refund and redeem or retire at maturity all of the outstanding State of Connecticut Airport Revenue Refunding Bonds, Bradley International Airport, Series 1992 (the “Prior Bonds”), currently outstanding in the aggregate principal amount of \$42,150,000, and (ii) to pay costs associated with the issuance of the Bonds. The Prior Bonds will be defeased on the date of issuance of the Bonds and will be redeemed or mature on October 1, 2004. See “SOURCES AND USES OF BOND PROCEEDS.”

The Prior Bonds were issued by the State in 1992 to refund outstanding airport revenue bonds that were issued by the State under an Indenture of Trust dated as of October 1, 1982 (as supplemented in connection with the issuance of the Prior Bonds, the “1982 Indenture”) to finance improvements to the Airport. The lien under the 1982 Indenture will be released and discharged upon the defeasance of the Prior Bonds and the 1982 Indenture will no longer be of any force or effect. The provisions of the Indenture (defined below) thereafter will control the operations and financings of the Airport.

**Bonds Outstanding Under the Indenture**

On March 27, 2001, the State issued its (i) \$194,000,000 Bradley International Airport General Airport Revenue Bonds, Series 2001A (the “Series 2001A Bonds”), currently outstanding in the aggregate principal amount of \$191,170,000, to finance various capital improvements at the Airport (the “Terminal Improvement Program” or “Terminal Improvement Project”), and (ii) \$19,180,000 Bradley International Airport General Airport Revenue Refunding Bonds, Series 2001B (the “Series 2001B Bonds”; together with the Series 2001A Bonds, the “Series 2001 Bonds”), currently outstanding in the aggregate principal amount of \$18,700,000, to advance refund a portion of the Prior Bonds. The Series 2001 Bonds were issued pursuant to the Trust Indenture and First Supplemental Trust Indenture, each dated as of March 1, 2001 (together, the “2001 Indenture”), between the State and U.S. Bank National Association, as successor to State Street Bank and Trust Company (the “Trustee”).

The Bonds will be issued pursuant to the 2001 Indenture as supplemented by the Second Supplemental Trust Indenture, dated as of May 1, 2004 (together, the “Indenture”), between the State and the Trustee. Under the Indenture, the Bonds, the Series 2001 Bonds and any Additional Bonds will be secured by a parity senior lien and pledge on the Pledged Revenues of the Airport.

### **Bradley International Airport**

Bradley International Airport is the second largest airport in New England. The Airports Council International 2002 North American Traffic Report ranked the Airport as the 53<sup>rd</sup> busiest airport in terms of passenger traffic (out of 171 North American passenger airports) and 39<sup>th</sup> busiest airport for air cargo traffic (out of 161 North American airports with air cargo traffic). The Airport’s primary air service area is most of the State of Connecticut and southwestern Massachusetts. The Airport is situated on approximately 2,358 acres of land located mainly in the town of Windsor Locks, Connecticut, which is approximately 12 miles north of Hartford, Connecticut, and 12 miles south of Springfield, Massachusetts.

The Airport presently operates two domestic passenger terminal complexes (referred to in this Official Statement as the “Unified Terminal Complex” and the “Murphy Terminal Complex”) including four concourses with a total of 42 gates. The Unified Terminal Complex includes the new terminal and concourse that opened in April 2003, which was financed in part with the proceeds of the Series 2001A Bonds, and Terminal A and Concourse C, presently being renovated and expanded with proceeds of the Series 2001A Bonds as part of the Terminal Improvement Program. The Unified Terminal Complex includes 23 gates, four of which remain under construction as part of the Terminal Improvement Program phasing. The Murphy Terminal Complex includes the Murphy Terminal, Concourse A, Concourse B and the old International Arrivals Building (IAB). These two concourses and the IAB include 19 gates. The Murphy Terminal Complex is being decommissioned as the Unified Terminal Complex is completed. Two scheduled airlines and charter services continue to operate from the Murphy Terminal Complex while the Unified Terminal Complex is being completed. Decommissioning means that the Murphy Terminal Complex will be removed from service but kept operationally ready in the event it is needed for new entrants or expansion by existing carriers. In addition to the two domestic terminals, the Airport opened a new Federal Inspection Service building in December 2002 that handles all international arrivals requiring clearance through customs. The Airport has three runways and can accommodate any type of commercial aircraft, including Boeing 747s. The Airport also includes facilities for corporate and private aircraft, over 400,000 square feet of warehouse space for cargo processing, and military facilities.

Passenger traffic at the Airport has grown over the last two decades. In 1978, 1.50 million passengers boarded airplanes at the Airport. In 2000, that number peaked at 3.68 million, for an average annual growth rate of 4.5%. Following the events of September 11, 2001, however, passenger traffic declined. Historic enplaned passengers are shown in Table 1. In recent months, enplaned passenger traffic has grown compared to the same period in the prior year. Enplaned passengers for the month of March 2004 were 279,036, an increase of 6.4% from March 2003 enplaned passengers of 262,327. For the first quarter of 2004, enplaned passengers totaled 764,168, an increase of 5.0% from first quarter 2003 enplaned passengers of 727,638.

**Table 1 - Bradley International Airport  
Calendar Year  
Historic Enplaned Passengers**

<u>Year</u>	<u>Total Enplaned Passengers</u>	<u>Change</u>
1998	2,816,640	—
1999	3,177,478	12.8%
2000	3,676,973	15.7%
2001	3,448,600	-6.2%
2002	3,270,602	-5.2%
2003	3,146,479	-3.8%
2004 <sup>(†)</sup>	764,168	5.0%

(†) 2004 first quarter only; comparison to first quarter 2003.

As of March 1, 2004, the Airport's weekly flight schedule included 229 departures to 61 destinations. 116 of these departures are offered daily and 113 departures are offered only on certain days of the week. A total of 16 scheduled airlines serve the Airport, including eight major airlines and eight commuter airlines. The market share of enplaned passengers for calendar year 2003 is summarized in Table 2. See "BRADLEY INTERNATIONAL AIRPORT – Introduction" for detailed enplaned passenger market share information.

**Table 2 - Bradley International Airport  
Calendar Year 2003  
Summary Enplaned Passenger Market Share**

<u>Airline</u>	<u>2003 Enplanements</u>	<u>Share</u>
Delta Air Lines	819,550	26.0%
Southwest Airlines	497,666	15.8%
US Airways	492,500	15.6%
American Airlines	487,047	15.5%
United Airlines	267,955	8.5%
Northwest Airlines	227,878	7.2%
America West	60,211	1.9%
Continental Airlines	23,657	0.8%
Commuter Airlines	236,878	7.5%
All Others	35,156	1.1%
<b>Total</b>	<b>3,148,498</b>	<b>100.0%</b>

Approximately 97% of the passenger travel at the Airport is characterized as origin-destination. This means that for most passengers, the Airport is either the origin or destination of their travel. This is contrasted with hub airports which "collect" passengers whose travel begins and ends at other airports. See "DEVELOPMENTS AFFECTING THE AIR TRANSPORTATION SYSTEM" and "CERTAIN INVESTMENT CONSIDERATIONS."

The Airport is owned by the State and operated by the Connecticut Department of Transportation ("DOT") with the independent oversight and direction of the Airport's Board of Directors. DOT contracts out various Airport services to private businesses, including aircraft maintenance, food preparation, baggage handling, car rentals, lodging, ground transportation, janitorial and related maintenance services. In addition, private businesses under contract with DOT operate the Airport's parking facilities and concessions in the Airport terminals.

## Security for the Bonds

**The Bonds are special obligations of the State and are payable, on a parity with the outstanding Series 2001 Bonds and any Additional Bonds, only from the Pledged Revenues and other receipts, funds or moneys pledged therefor pursuant to the Indenture. Neither the State nor any political subdivision thereof is subject to any liability for the Bonds except to the extent of such Pledged Revenues and other receipts, funds or moneys pledged therefor pursuant to the Indenture. The issuance of the Bonds will not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. The Bonds will not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the State or of any political subdivision thereof, except as described in the Indenture.**

Under the Indenture, the Bonds, the Series 2001 Bonds and any Additional Bonds will be secured by a parity senior lien and pledge on the Pledged Revenues of the Airport. The Bonds and the Series 2001 Bonds are General Revenue Bonds under the Indenture. The Series 2001A Bonds also are PFC Revenue Bonds under the Indenture and a portion of the Debt Service Requirements on the Series 2001A Bonds is payable from PFC Revenues. PFC Revenues are not available to pay Debt Service Requirements on the Bonds.

Under the Indenture, Pledged Revenues do not include “Released Revenues,” which are revenues identified by the State that relate to a definable service, facility or program at the Airport and are excluded from General Revenues. Two such facilities that produce Released Revenues are the Airport’s new 3,450 space parking garage (the “Parking Garage”) and its surface parking facilities (the “Surface Parking”). On April 6, 2000, the State issued its \$47,665,000 State of Connecticut Bradley International Airport Special Obligation Parking Revenue Bonds, Series 2000A and its \$6,135,000 State of Connecticut Bradley International Airport Special Obligation Parking Revenue Bonds, Taxable Series 2000B (collectively, the “Parking Garage Bonds”) to finance the acquisition and construction of the Parking Garage. The Parking Garage and the Surface Parking currently are operated under a parking lease agreement (the “Parking Lease”) by APCOA Bradley Parking Company, LLC (the “Parking Operator”). The Parking Lease requires that the Parking Operator deposit all Parking Garage receipts with a trustee (the “Parking Garage Trustee”) and all Surface Parking receipts with a custodian (the “Custodian”) to pay operating expenses for the Parking Garage and the Surface Parking, respectively. The Parking Garage receipts are pledged to the Parking Garage Trustee to pay debt service on the Parking Garage Bonds. **The Parking Lease is in effect until April 6, 2025. During this period all gross revenues from the Parking Garage and Surface Parking will be deposited in accordance with the Parking Lease. Parking Garage and Surface Parking revenues are Released Revenues and are not treated as revenues of the State under the Indenture.** However, certain fixed amounts paid to the State (the “State Minimum Guarantee Payment”) and additional amounts paid to the State under the Parking Lease, if any, will be deposited as Revenues under the Indenture. Under the Indenture, the Parking Garage Bonds are treated as Released Revenue Bonds that are secured by a senior lien on the revenues derived from the Parking Garage. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Parking Garage Bonds and Application of Parking Revenues” herein.

The Bonds will not be subject to acceleration upon the occurrence of an event of default under the Indenture.



## **Bond Insurance and Series 2004 Reserve Account Credit Facility**

The scheduled payment of principal of and interest when due on the Bonds will be guaranteed by a municipal bond insurance policy (the “Bond Insurance Policy”) to be issued simultaneously with the delivery of the Bonds by Financial Guaranty Insurance Company (the “Bond Insurer”).

The Bond Insurer also has agreed to provide a municipal bond debt service reserve fund policy (the “Series 2004 Reserve Account Credit Facility”), constituting a Reserve Account Credit Facility under the Indenture, for deposit into the Series 2004 Subaccount of the Debt Service Reserve Account in an amount equal to 10% of the principal amount of the Bonds, being the Debt Service Reserve Requirement for the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Series 2004 Reserve Account Credit Facility” and “BOND INSURANCE AND SERIES 2004 RESERVE ACCOUNT CREDIT FACILITY.” See also **Appendix F** for specimen copies of the Bond Insurance Policy and the Series 2004 Reserve Account Credit Facility.

## **Miscellaneous**

This Official Statement contains brief descriptions and summaries of the Bonds, the Airport, the Indenture, the Continuing Disclosure Agreement, and certain other matters. Those descriptions and summaries do not purport to be comprehensive or definitive. The descriptions of the Bonds and the other documents contained in this Official Statement are qualified in their entirety by reference to the actual documents.

Certain information relating to The Depository Trust Company (“DTC”) and the book-entry-only system has been furnished by DTC and certain information relating to the Bond Insurer and the Bond Insurance Policy has been furnished by the Bond Insurer. Appendix A includes the Airport’s Financial Statements for the fiscal years ended June 30, 2003 and June 30, 2002. Appendix B contains information regarding the Airport’s agreements with the airlines serving the Airport. Appendix C contains a summary of certain provisions of the Indenture and defined terms used in this Official Statement. Appendix D contains the proposed form of the Continuing Disclosure Agreement to be entered into by the State. Appendix E contains the proposed form of opinion of Bond Counsel to be rendered in connection with the issuance and delivery of the Bonds. Appendix F contains specimen copies of the Bond Insurance Policy and the Series 2004 Reserve Account Credit Facility.

During the initial offering period for the Bonds, copies of the documents summarized in this Official Statement may be obtained upon request from the Office of the Treasurer, Attn: Catherine Boone, Assistant Treasurer, 55 Elm Street, Hartford, Connecticut 06106, (860) 702-3127. Thereafter, copies may also be obtained from the Trustee.

## **AUTHORIZATION FOR THE BONDS**

### **Legal Authority—State Bond Commission**

The State will issue the Bonds pursuant to the Connecticut General Statutes, Chapter 266a *et. seq.*, as amended (the “Act”), and the Indenture. Under the Act, the State Bond Commission (established pursuant to Section 3-20 of the General Statutes of Connecticut, as

amended) is empowered to authorize the issuance of revenue bonds to finance improvements to the Airport. The State Bond Commission adopted an authorizing resolution for the Bonds on January 26, 2001.

The State Bond Commission consists of the Governor, the Treasurer, the Comptroller, the Attorney General, the Secretary of the Office of Policy and Management, the Commissioner of the Department of Public Works of the State and the Co-chairpersons and the Ranking Minority Members of the Joint Standing Committee on Finance, Revenue and Bonding of the General Assembly. The Secretary of the Office of Policy and Management serves as secretary to the Commission.

### **Agreement of the State**

In consideration of the purchase and acceptance of the Bonds by purchasers or subsequent holders of the Bonds, the Indenture provisions will constitute a contract among the State, the Trustee, and the holders from time to time of all bonds issued under the Indenture, including the Bonds. The Indenture provisions, covenants and agreements to be performed on behalf of the State will be for the equal benefit, protection and security of the holders of any and all of the bonds issued under the Indenture, including the Bonds, all of which, regardless of the time or times of their issue or maturity, will be of equal rank without preference, priority or distinction, except as provided in the Indenture.

## **THE BONDS**

### **General**

The Bonds will be issued in the principal amount, be dated, bear interest at the rates per annum and mature on the dates, subject to earlier redemption as described herein, all as set forth on the cover page of this Official Statement. Interest on the Bonds will be paid on each April 1 and October 1 (each an "Interest Payment Date"), commencing October 1, 2004, in the manner described below. Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

The Bonds will be issued in fully registered form only in denominations of \$5,000 and any integral multiple thereof, and will be registered in the name of Cede & Co., as nominee of DTC. Purchases of beneficial interests in the Bonds initially will be made in book-entry-only form (without certificates) in denominations of \$5,000 and any integral multiple thereof and, under certain circumstances, such beneficial interests are exchangeable for one or more fully registered bonds of the same series, maturity and principal amount in such denominations.

So long as any of the Bonds are in book-entry form, the registered owner of the Bonds will be Cede & Co. for all purposes of the Indenture and the principal of and interest and any premium on the Bonds will be payable as described under "Book-Entry-Only System" below.

If the book-entry-only system is discontinued with respect to the Bonds, thereafter, (i) principal of and any premium on the Bonds will be payable upon presentation and surrender thereof at the principal corporate trust office of the Trustee or at the office of any paying agent designated by the Trustee and (ii) interest on the Bonds will be paid on each Interest Payment Date by check or draft mailed by the Trustee on the Interest Payment Date to the registered

owners of the Bonds as of the close of business on the March 15 or September 15 (the “Regular Record Date”) immediately preceding the Interest Payment Date.

If and to the extent that the State fails to make payment or provision for payment of interest on any Bonds on any Interest Payment Date, that interest will cease to be payable to the registered owner of that Bond as of the applicable Regular Record Date and, when moneys become available for payment of the interest, the Trustee will establish a Special Record Date pursuant to the Indenture for the payment of that interest which Special Record Date will be not more than 15 nor fewer than 10 days prior to the date of the proposed payment. The Trustee will cause notice of the proposed payment and the Special Record Date to be mailed by first class mail, postage prepaid, to each registered owner at its address as it appears on the register not fewer than 10 days prior to the Special Record Date and, thereafter, the interest will be payable to the registered owner of the Bonds at the close of business on the Special Record Date.

So long as any of the Bonds remain outstanding, the State will cause books for the registration and transfer of Bonds, as provided in the Indenture, to be maintained and kept at the designated office of the Trustee, as registrar. The Bonds may be exchanged, at the option of the registered owner, for Bonds of the same series and maturity, in any authorized denomination or denominations in an aggregate principal amount equal to the unmatured and unredeemed principal amount of, and bearing interest at the same rate and maturing on the same date or dates as, the Bonds being exchanged. Any Bonds may be transferred upon the register. Any transfer or exchange will be made upon presentation and surrender of the Bonds being exchanged at the designated office of the registrar or at the designated office of any authenticating agent together with an assignment duly executed by the registered owner or its duly authorized attorney in any form which is satisfactory to the registrar or the authenticating agent, as the case may be. Upon transfer of any Bonds and on request of the registrar or the authenticating agent, the State will execute in the name of the transferee, and the registrar or the authenticating agent, as the case may be, will authenticate and deliver, a new Bond or Bonds, of the same series and maturity, in any authorized denomination or denominations in an aggregate principal amount equal to the unmatured and unredeemed principal amount of, and bearing interest at the same rate and maturing on the same date or dates as, the Bonds presented and surrendered for transfer. The exchange or transfer will be made without charge; provided, that the State and the registrar or the authenticating agent, as the case may be, may make a charge for every exchange or transfer of Bonds sufficient to reimburse them for any tax or excise required to be paid with respect to the exchange or transfer. Such reimbursement must be paid by the registered owner before a new Bond is delivered.

## **Redemption**

**No Optional or Mandatory Sinking Fund Redemption.** The Bonds are not subject to mandatory sinking fund redemption or optional redemption prior to maturity.

**Extraordinary Optional Redemption of the Bonds.** The Bonds are subject to extraordinary optional redemption prior to maturity, by and at the option of the State, in whole on any date, at a redemption price of 100% of the principal amount redeemed plus interest accrued to the redemption date, in the event (i) of damage or destruction of all or substantially all of the Airport to such an extent that the Airport is expected to be out of service, in whole or in part, for a period of six months or more, (ii) of condemnation of all or substantially all of the Airport to such an extent that the Airport is expected to be out of service, in whole or in part, for

a period of six months or more, or (iii) that the Airport ceases to function as an airport for general commercial traffic for a period of 120 consecutive days or more.

**Notice of Redemption; Effect.** Bonds will be redeemed only after written notice from the State to the Trustee. The notice of the call for redemption of Bonds must identify (i) by designation, letters, numbers or other distinguishing marks, the Bonds to be redeemed, (ii) the redemption price to be paid, (iii) the date fixed for redemption, and (iv) the place or places where the amounts due upon redemption are payable. The notice will be given by the Trustee on behalf of the State by mailing a copy of the redemption notice by first class mail, postage prepaid, at least 30 days prior to the date fixed for redemption, to the registered owner of each Bond subject to redemption at the registered owner's address shown on the register on the fifteenth day preceding that mailing. Failure to receive notice by mailing or any defect in that notice regarding any Bond, however, will not affect the validity of the proceedings for the redemption of any Bond.

If notice of redemption has been duly mailed or sent in the manner provided by the Indenture, or duly waived by the registered owners of all Bonds called for redemption, then the Bonds called for redemption will become due and payable on the redemption date, and upon presentation and surrender thereof at the place or places specified in that notice, will be paid at the redemption price, plus interest accrued to the redemption date. If money for the redemption of all of the Bonds to be redeemed, together with interest accrued thereon to the redemption date, is held by the Trustee or any paying agent on the redemption date, so as to be available therefor on that date, and if notice of redemption has been deposited in the mail as required in the Indenture, then from and after the redemption date those Bonds called for redemption will cease to bear interest and no longer will be considered to be outstanding under the Indenture.

### **Book-Entry-Only System**

*Portions of the following information concerning DTC and DTC's book-entry-only system have been obtained from DTC. The State, Bond Counsel and the Underwriter make no representation as to the accuracy of such information.*

DTC 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 will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. Individual purchases will be made in denominations of \$5,000 principal amount or integral multiples thereof.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended (the "1934 Act"). DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities, through electronic computerized book-entry transfers and



pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of the Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange, LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Direct and Indirect Participants are on file with the Securities and Exchange Commission (the "SEC"). (Direct Participants and Indirect Participants are collectively referred to herein as "Participants.") More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on the records of DTC. 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, however, are 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 the 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.

To facilitate subsequent transfers, all Bonds deposited by Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. The deposit of Bonds with DTC and their registration in the name of Cede & Co. effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 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 Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Redemption Notices are to be sent to Cede & Co. by the Trustee. 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 in such series and maturity to be redeemed. Neither the Trustee nor the State is responsible for sending notices to Beneficial Owners. 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.

Neither DTC nor Cede & Co. will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date.

The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest 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 State or the Trustee on payment dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not DTC, the Trustee, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Participants.

For every transfer and exchange of the Bonds, the Trustee may charge DTC, and DTC may charge the Participants and the Participants may charge the Beneficial Owners, a sum sufficient to cover any tax, fee or other government charge that may be imposed in relation thereto.

In the event that (a) DTC determines to discontinue providing its service with respect to the Bonds by giving reasonable notice to the State and discharging its responsibilities with respect thereto under applicable law and the State fails to appoint a successor securities depository for the Bonds, or (b) the State determines to discontinue the system of the book-entry transfer through DTC (or a successor securities depository), bond certificates are required to be delivered as described in the Bonds. The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Bonds.

THE STATE AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON NOT SHOWN ON THE REGISTRATION BOOKS OF THE TRUSTEE AS BEING A REGISTERED OWNER WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OF ANY NOTICE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE 2001 INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS REGISTERED OWNER.

The State and the Trustee cannot and do not give any assurances that DTC will distribute payments on the Bonds made to DTC or its nominee as the registered owner or any redemption or other notices to the Participants, or that the Participants or others will distribute such payments or notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, reference herein to Bondholders or owners of the Bonds will mean Cede & Co. and will not mean the Beneficial Owners of the Bonds.

### **SOURCES AND USES OF BOND PROCEEDS**

It is anticipated that the proceeds of the Bonds will be used as follows:

#### *Sources*

Principal amount of the Bonds.....	\$30,640,000.00
Funds released from 1982 Indenture.....	12,590,161.13
Net Original Issue Premium.....	<u>1,399,211.90</u>
<b>Total Sources</b> .....	<b><u>\$44,629,373.03</u></b>

#### *Uses*

Deposit to Refunding Escrow* .....	\$43,660,781.23
Underwriter's discount, costs of issuance and premiums for bond insurance policy and Series 2004 Reserve Account Credit Facility.....	<u>968,591.80</u>
<b>Total Uses</b> .....	<b><u>\$44,629,373.03</u></b>

---

\* Upon delivery of the Bonds, the State and U.S. Bank National Association, as Trustee for the Prior Bonds (the "Prior Bonds Trustee"), will enter into an Escrow Deposit Agreement (the "Escrow Agreement") to provide for the refunding of the Prior Bonds. Under the Escrow Agreement, the Prior Bonds Trustee will deposit in an irrevocable trust fund the net proceeds of the Bonds and other funds and will use such proceeds and other funds to purchase direct obligations of, or obligations guaranteed by, the United States of America (the "Government Obligations"), the maturing principal of and interest on which will provide amounts sufficient to pay the principal of and interest on the Prior Bonds due at maturity or redemption on October 1, 2004. All investment income on and maturing principal of the Government Obligations held under the Escrow Agreement and needed to pay the principal and premium of and interest on the Prior Bonds will be irrevocably deposited by the State for payment of the Prior Bonds.

## OUTSTANDING DEBT SERVICE REQUIREMENTS FOR THE BONDS

The following table sets forth the annual debt service requirements for the Bonds and the outstanding Series 2001A Bonds and Series 2001B Bonds, after giving effect to the defeasance of the Prior Bonds:

<u>Period Ending</u>	<u>Principal</u>	<u>Series 2004 Bonds Interest</u>	<u>Total Debt Service</u>	<u>Debt Service on Outstanding Series 2001A Bonds</u>	<u>Debt Service on Outstanding Series 2001B Bonds</u>	<u>Total Debt Service</u>
June 30, 2005	----	\$ 934,472	\$ 934,472	\$13,256,960	\$1,042,171	\$15,233,603
June 30, 2006	\$6,000,000	1,204,125	7,204,125	13,256,890	1,038,029	21,499,044
June 30, 2007	4,115,000	1,077,688	5,192,688	13,253,535	1,038,286	19,484,509
June 30, 2008	4,900,000	903,750	5,803,750	13,253,430	1,042,702	20,099,882
June 30, 2009	4,910,000	658,500	5,568,500	13,253,730	1,041,280	19,863,510
June 30, 2010	5,240,000	404,750	5,644,750	13,250,550	1,039,128	19,934,428
June 30, 2011	5,475,000	136,875	5,611,875	13,252,515	1,041,155	19,905,545
June 30, 2012				13,257,960	8,730,398	21,988,358
June 30, 2013				13,257,691	8,703,180	21,960,871
June 30, 2014				13,254,004		13,254,004
June 30, 2015				13,250,291		13,250,291
June 30, 2016				13,255,173		13,255,173
June 30, 2017				13,252,729		13,252,729
June 30, 2018				13,257,041		13,257,041
June 30, 2019				13,251,598		13,251,598
June 30, 2020				13,249,550		13,249,550
June 30, 2021				13,252,943		13,252,943
June 30, 2022				13,255,990		13,255,990
June 30, 2023				11,243,539		11,243,539
June 30, 2024				11,244,184		11,244,184
June 30, 2025				11,246,475		11,246,475
June 30, 2026				11,243,650		11,243,650
June 30, 2027				11,244,684		11,244,684
June 30, 2028				11,243,425		11,243,425
June 30, 2029				11,243,719		11,243,719
June 30, 2030				11,244,284		11,244,284
June 30, 2031				11,243,841		11,243,841
June 30, 2032				11,245,978		11,245,978
Totals	<u>\$30,640,000</u>	<u>\$5,320,159</u>	<u>\$35,960,159</u>	<u>\$351,016,359</u>	<u>\$24,716,328</u>	<u>\$411,692,846</u>

## SECURITY AND SOURCES OF PAYMENT FOR THE BONDS

### Special Obligations of the State

The Bonds are special obligations of the State and are payable, on a parity with the Series 2001 Bonds and any Additional Bonds, only from the Pledged Revenues and other receipts, funds or moneys pledged therefor pursuant to the Indenture. Neither the State nor any political subdivision thereof is subject to any liability for the Bonds except to the extent of such Pledged Revenues and the receipts, funds or moneys pledged therefor pursuant to the Indenture. The issuance of the Bonds will not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatsoever therefor or to make any appropriation for their payment. The Bonds will not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the State or of any political subdivision thereof, except as described in the Indenture.



Under the Indenture, the Bonds, the Series 2001 Bonds and any Additional Bonds will be secured by a parity senior lien and pledge on the Pledged Revenues of the Airport. The Bonds and the Series 2001 Bonds are General Revenue Bonds under the Indenture. The Series 2001A Bonds also are PFC Revenue Bonds under the Indenture and a portion of the Debt Service Requirements on the Series 2001A Bonds is payable from PFC Revenues. PFC Revenues are not available to pay Debt Service Requirements on the Bonds.

### **Bonds Under the 1982 Indenture**

The State issued the Prior Bonds in the original aggregate principal amount of \$94,065,000 on September 30, 1992 under the 1982 Indenture. The Prior Bonds refunded airport revenue bonds of the State issued in 1982 to fund certain Airport improvements. On March 27, 2001, the State issued the Series 2001B Bonds in the aggregate principal amount of \$19,180,000 to advance refund a portion of the outstanding Prior Bonds. The Prior Bonds are currently outstanding in the aggregate principal amount of \$42,150,000, all of which will be defeased (to the redemption or maturity date of October 1, 2004) upon issuance of the Bonds. Upon such defeasance, the lien of the 1982 Indenture will be discharged and the 1982 Indenture will no longer be of any force or effect. Thereafter, the provisions of the Indenture will control the operations and the financings of the Airport.

### **Parking Garage Bonds and Application of Parking Revenues**

As discussed under “INTRODUCTION – Security for the Bonds,” the State issued the Parking Garage Bonds on April 6, 2000 to finance the costs of the Parking Garage. Upon compliance with certain conditions set forth in the trust indenture securing the Parking Garage Bonds, the State may issue additional parking revenue bonds on a parity with the outstanding Parking Garage Bonds. In connection with the issuance of the Parking Garage Bonds, the State entered into the Parking Lease with the Parking Operator. The Parking Garage was completed and began operations in early 2001. Under the Parking Lease, the Parking Operator is obligated to operate the Parking Garage and the Surface Parking through April 6, 2025.

The Parking Lease provides that the Parking Operator will make the State Minimum Guarantee Payment to the State, payable monthly, ranging in amount from the initial annual payment of \$8.2 million paid to the State for the fiscal year ending June 30, 2001 to approximately \$13.2 million scheduled to be paid for the fiscal year ending June 30, 2024. The Parking Operator’s sole corporate member is APCOA/Standard Parking, Inc., a national parking operator (“APCOA”). So long as the Parking Lease remains in effect, APCOA has guaranteed payment of the deposits required under the Parking Lease (the “Parking Guaranty”), including debt service on the Parking Garage Bonds and the State Minimum Guarantee Payment.

Following the events of September 11, 2001, required new security procedures have affected operation of the Parking Garage and the Surface Parking. The revised security procedures, along with the downturn in the overall economy and competition from off-Airport parking operators, have negatively affected utilization of and the revenues generated from the Parking Garage and the Surface Parking. Consequently, to date such revenues have not been sufficient to fully fund the State Minimum Guarantee Payment, after payment of operating expenses and debt service in accordance with the provisions of the Parking Lease and the trust indenture securing the Parking Garage Bonds. Under the terms of the Parking Lease and the Parking Guaranty, APCOA has funded such revenue shortfall through guarantor payments. As

of April 15, 2004, APCOA has paid a total of \$6,711,493.08 in guarantor payments. The Parking Lease also provides for the repayment with interest of such guarantor payments from future parking revenues, if available, after payment of operating expenses, debt service and the State Minimum Guarantee Payment. As of April 15, 2004, \$977,735.07 on account of guarantor payments has been repaid to APCOA from parking revenues. The State and APCOA continue to work closely together to address the operation and economics of the Parking Garage and Surface Parking. *During the term of the Parking Lease, all gross parking revenues from the Parking Garage and Surface Parking will be deposited in accordance with the provisions of the Parking Lease. Parking Garage and Surface Parking revenues are Released Revenues and are not treated as revenues of the State under the Indenture.* See “Revenues – Released Revenues Relating to the Parking Lease” below.

### **Series 2004 Reserve Account Credit Facility**

Concurrently with the issuance of the Bonds, the Bond Insurer will issue the Series 2004 Reserve Account Credit Facility. The Series 2004 Reserve Account Credit Facility unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the State, provided that the aggregate amount paid under the Series 2004 Reserve Account Credit Facility may not exceed the maximum amount set forth therein (\$3,064,000). See “BOND INSURANCE AND SERIES 2004 RESERVE ACCOUNT CREDIT FACILITY.” See also **Appendix F** for a specimen copy of the Series 2004 Reserve Account Credit Facility.

### **Revenues**

**General.** Under the Indenture, the term “Revenues” means: (i) all revenues, income, receipts and money derived from the ownership and operation of the Airport, including all rentals, charges, landing fees, use charges, concession revenue and PFC Revenues received by or on behalf of the State, (ii) investment earnings on amounts deposited in funds and accounts under the Indenture or otherwise maintained with respect to the Airport, and (iii) all unrestricted gifts or grants. Revenues are calculated on an accrual basis of accounting.

**Pledged Revenues.** Upon the deposit of Revenues into the Revenue Fund under the Indenture, such Revenues become Pledged Revenues under the Indenture, subject to application of those revenues to permitted purposes. Use of PFC Revenues is limited to the allowable costs of approved PFC Facilities, which does not include those facilities financed or refinanced by the Bonds, but does include certain facilities financed by the Series 2001A Bonds.

Under the Indenture, “Pledged Revenues” means all Revenues and all moneys paid or required to be paid into, and all moneys and securities on deposit from time to time in, the following funds and accounts: (i) the Revenue Fund, including the General Revenue Account and the General Revenue Enhancement Account, but excluding the Released Revenue Account and amounts in the Revenue Fund required to be used to pay Operating Expenses, (ii) the PFC Revenue Fund, including the PFC Coverage Account, but excluding the PFC Escrow Account, (iii) the Debt Service Fund, including the Bond Service Account, the Payments Account, the Capitalized Interest Account and the Debt Service Reserve Account, (iv) the Construction Fund, including the Series 2001 Project Account, and (v) the Cost of Issuance Fund. In addition to the exclusions identified in the preceding sentence, “Pledged Revenues” does not include (i) moneys and securities from time to time on deposit in the General Airport Fund, including the Deposit

Account therein, (ii) moneys and securities from time to time on deposit in the Improvement Fund, including the Deposit Account therein, and (iii) any amounts required under the Indenture to be set aside pending, or used for, rebate to the United States government pursuant to Section 148(f) of the Internal Revenue Code of 1986, as amended (the “Code”), including, but not limited to, amounts in the Rebate Account.

***PFC Revenues.*** PFC Revenues are available to pay a portion of the Debt Service Requirements on the Series 2001A Bonds. The Indenture requires that PFC Revenues be deposited into the PFC Revenue Fund. Funds deposited into the PFC Revenue Fund will initially be deposited into the PFC Coverage Account in each Fiscal Year until an amount has been deposited therein equal to 125% of the PFC Component of the Debt Service Requirements for the current Fiscal Year on the Series 2001A Bonds. The “PFC Component” is that portion of the Debt Service Requirements on the Series 2001A Bonds allocated to the PFC Facilities and expected to be paid from PFC Revenues. Amounts on deposit in the PFC Coverage Account will be Pledged Revenues under the Indenture. The amount on deposit in the PFC Coverage Account will be transferred from time to time by the Trustee, at the direction of the State, to the Bond Service Account to be applied to pay the PFC Component of the Debt Service Requirements on the Series 2001A Bonds. Use of PFC Revenues is limited to the allowable costs of approved PFC Facilities. See “Deposit of Revenues and Application of Funds - The Indenture - PFC Revenue Fund; PFC Coverage Account” and “Bradley International Airport -- PFC Program” and “-- Airport PFC Approvals” herein.

***Released Revenues Relating to the Parking Lease.*** Under the Indenture, Revenues relating to the Parking Lease are Released Revenues and are deposited and applied as set forth in the Parking Lease. As Released Revenues, such amounts are not deposited into the funds and accounts under the Indenture and are not Pledged Revenues.

The Parking Lease and the trust indenture securing the Parking Garage Bonds provide for separate application of amounts derived from the Surface Parking and the Parking Garage (collectively, the “Parking Facilities”). Surface Parking revenues are applied to pay expenses and certain other required deposits relating to the Surface Parking; Parking Garage revenues are applied to pay debt service on the Parking Garage Bonds and expenses and certain other required deposits relating to the Parking Garage. Surface Parking revenues and Parking Garage revenues remaining after such deposits are made in each month are applied, on an aggregate basis, to make the monthly State Minimum Guarantee Payment. Additional Surface Parking revenues and Parking Garage revenues remaining on deposit are to be applied annually, on an aggregate basis, to pay specified amounts to the Parking Operator and the State. All State Minimum Guarantee Payments and payments of such additional amounts received by the State in accordance with the Parking Lease are Revenues to be deposited in accordance with the Indenture. See “Parking Garage Bonds and Application of Parking Revenues” herein.

Upon the occurrence of certain events, including the Parking Operator’s failure to pay amounts due under the Parking Lease, including amounts sufficient to pay debt service on the Parking Garage Bonds and to make the monthly State Minimum Guarantee Payment, the Parking Lease provides that the State may re-enter and take possession of the Parking Facilities, sublease the Parking Facilities, operate the Parking Facilities or take any action that the State deems necessary or desirable. However, in the event that the Parking Operator or its affiliates or assigns become the subject of a federal bankruptcy proceeding, operation of the automatic stay provisions of the Bankruptcy Code under certain circumstances may require the Parking Garage

Trustee, the Custodian and the State to obtain bankruptcy court approval prior to taking any action to enforce the Parking Lease, including terminating the Parking Lease or enforcing any of the remedies provided for in the Parking Lease. There is no assurance that the bankruptcy court would grant such approval, or that such approval would be granted on a timely basis. Accordingly, if the Parking Operator or its affiliates or assigns become the subject of a federal bankruptcy proceeding, the treatment of the Parking Lease under the Bankruptcy Code could result in long delays in the State's receipt of Parking Facilities' revenues and possibly in reductions in the amounts available for the Debt Service Requirements on the Bonds. See "Parking Garage Bonds and Application of Parking Revenues" herein.

Pursuant to a Continuing Disclosure Agreement executed in connection with the issuance of the Parking Garage Bonds, APCOA and the Parking Operator have agreed to file their annual financial statements with the nationally recognized municipal securities information repositories. (The current repositories are identified in the Continuing Disclosure Agreement of the State attached hereto as Appendix D.)

### **Covenants as to Rates and Charges**

The State has covenanted under the Indenture to establish rates for the services and facilities furnished by the Airport in an amount sufficient to pay debt service on the Series 2001 Bonds, Additional Bonds (which include the Bonds), operating expenses of the Airport and certain other amounts and charges.

The State has covenanted with the holders of all bonds Outstanding under the Indenture that it will at all times prescribe, fix, maintain and collect rates, fees and other charges for the services and facilities furnished by the Airport in an amount sufficient to:

- (a) (i) pay all of the Airport's Operating Expenses as they become due and payable, (ii) pay all Debt Service Requirements on bonds Outstanding under the Indenture (including the Series 2001 Bonds and the Bonds) when due and payable, (iii) make all required deposits, if any, into the Debt Service Reserve Account and the Rebate Account, (iv) pay amounts required to be paid under any Contract or Other Airport Obligation when due and payable, and (v) remedy all deficiencies in required payments or deposits into the funds and accounts created hereunder;
- (b) provide Net General Revenues in each Fiscal Year equal to at least:
  - (i) 120% of the Debt Service Requirements on all bonds Outstanding under the Indenture (including the Series 2001 Bonds and the Bonds) secured by a Senior Lien on General Revenues (including as Net General Revenues amounts on deposit in the General Revenue Enhancement Account and, for so long as any such bonds also are secured by a Senior Lien on PFC Revenues, amounts on deposit in the PFC Coverage Account) and
  - (ii) 110% of the Debt Service Requirements on all bonds Outstanding under the Indenture (including the Series 2001 Bonds and the Bonds) secured by a Senior Lien on General Revenues (including as Net General Revenues, for so long as any such bonds also are secured by a Senior Lien on PFC Revenues,



amounts on deposit in the PFC Coverage Account, but not including amounts on deposit in the General Revenue Enhancement Account); and

- (c) provide PFC Revenues in each Fiscal Year equal to at least 100% (or such other percentage which may be specified in a Supplemental Indenture with respect to Outstanding PFC Revenue Bonds) of the Debt Service Requirements on PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues.

The General Revenue Enhancement Account has not been funded to date, but the State expects to deposit prior to June 30, 2004 approximately \$1.5 million into the General Revenue Enhancement Account from Revenues.

In connection with the issuance of bonds under the Indenture which are not secured by a Senior Lien on General Revenues and/or PFC Revenues, the Supplemental Indenture authorizing such bonds shall specify the applicable rate covenant required to be met with respect to the related Revenues. In connection with the issuance by the State of PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues, the State shall specify in the related Supplemental Indenture the rate covenant provision to be applicable with respect to such Bonds in accordance with clause (c) above; provided that, each Rating Agency with a Rating then in effect with respect to the Airport (without regard to any Credit Facility then in effect with respect to any Bonds outstanding under the Indenture) shall indicate in writing to the State that the use of such rate covenant provision for purposes of clause (c ) above will not, by itself, result in a reduction or withdrawal of such Rating. In no event will the Airport be required to impose passenger facility charges in excess of amounts permitted pursuant to the PFC Act.

If the State fails to prescribe, fix, maintain and collect rates, fees and other charges, or to revise such rates, fees and other charges, in accordance with the provisions of the Indenture in any Fiscal Year, but the State in the next Fiscal Year has promptly taken all available measures to revise such rates, fees and other charges as advised by an Airport Consultant, there will be no Event of Default as described in the Indenture until at least the end of such next Fiscal Year and only then if Net General Revenues are less than the amount required by the rate covenant provisions of the Indenture. See **Appendix C – Summary of Certain Provisions of the Indenture – Defaults and Remedies** for additional information regarding Events of Default under the Indenture.

### **Deposit of Revenues and Application of Funds**

The Indenture provides for the application of Revenues received by the State. All Revenues (other than PFC Revenues, Released Revenues and Special Purpose Revenues) will be deposited by the State, from time to time and as received, in the Revenue Fund created under the Indenture. PFC Revenues will be deposited in the PFC Revenue Fund.

**Revenue Fund.** The amounts deposited into the Revenue Fund immediately will be allocated to the account within the Revenue Fund designated therefor:

- (i) General Revenues will be deposited to the General Revenue Account;
- (ii) Released Revenues will be deposited to the Released Revenue Account, provided that, (A) Released Revenues relating to the Parking Lease will be deposited and

applied as set forth in the Parking Lease (see “Parking Garage Bonds and Application of Parking Revenues” herein) and (B) to the extent so provided in the Supplemental Indenture or other agreement establishing additional categories of Released Revenues, such Released Revenues may be deposited as set forth therein without being deposited in the Revenue Fund; and

(iii) Special Purpose Revenues will be deposited and applied as set forth in the agreements establishing the related Special Purpose Facilities.

Moneys in the Revenue Fund will be applied by or at the direction of the State from time to time to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the order of priority determined by the State in its sole discretion:

(i) to pay Operating Expenses (including amounts transferred from time to time to DOT to pay Operating Expenses in accordance with the requirements of the Act), provided that amounts in the Released Revenue Account shall be used only for Operating Expenses of the related Released Revenue Facilities;

(ii) to deposit into the Debt Service Fund the amounts required by the Indenture;

(iii) to deposit into the Debt Service Reserve Account the amounts required by the Indenture;

(iv) to deposit into the Rebate Account the amounts required by the Indenture;

(v) to pay to any party to a Contract the amounts due thereon, including Additional Interest, continuing commission or commitment fees, remarketing agent fees and repayment of amounts equivalent to principal on related bonds Outstanding, provided that, for any payments on a Contract, amounts may be drawn only from the accounts or subaccounts relating to the Revenues securing the bonds related to such Contract, and, unless otherwise provided in the related Supplemental Indenture because a Credit Facility is intended to be drawn on for payments on bonds, only after all payments then due with respect to the related bonds Outstanding have been made;

(vi) to pay amounts required to be paid with respect to any Other Airport Obligations, provided that, for any payments with respect to any Other Airport Obligations, if such Other Airport Obligations relate to Released Revenue Facilities, then such payments shall be made from available amounts in the Released Revenue Account and otherwise, such payments shall be made from the General Revenue Account;

(vii) for transfer to the General Revenue Enhancement Account, the General Airport Fund or the Improvement Fund; and

(viii) for any other lawful purpose related to the Airport.

As noted above, the State expects to deposit prior to June 30, 2004 approximately \$1.5 million into the General Revenue Enhancement Account from Revenues.

Amounts in the Released Revenue Account will be used only for deposits to accounts or subaccounts relating to bonds Outstanding under the Indenture which have a lien on any Released Revenues or for other purposes permitted pursuant to the Indenture.

See **Appendix C – Summary of Certain Provisions of the Indenture**, a description of certain limitations applicable under the Indenture to such uses by the State.

***PFC Revenue Fund; PFC Coverage Account.*** PFC Revenues are deposited into the PFC Coverage Account of the PFC Revenue Fund in each Fiscal Year until an amount has been deposited therein equal to 125% of the PFC Component of the Debt Service Requirements for the current Fiscal Year on the Series 2001A Bonds. Thereafter, PFC Revenues received during such Fiscal Year will be deposited into the PFC Escrow Account of the PFC Revenue Fund. In connection with the subsequent issuance of Additional PFC Revenue Bonds payable in whole or in part by a Senior Lien on PFC Revenues, the related PFC Revenues will be deposited into the PFC Coverage Account and shall secure, on a parity basis, all PFC Revenue Bonds secured by a Senior Lien on PFC Revenues; provided that the State may specify in the related Supplemental Indenture a different flow of funds for the related PFC Revenues consistent with the then applicable law relating to the application of PFC Revenues. In the event that the State is unable to deposit into the PFC Coverage Account in any Fiscal Year the amount specified above, such inability will not be an Event of Default under the Indenture. See **Appendix C – Summary of Certain Provisions of the Indenture – Defaults and Remedies**.

The amount on deposit in the PFC Coverage Account will be transferred from time to time by the Trustee, at the direction of the State, to the Bond Service Account to be applied to pay the PFC Component of the Debt Service Requirements on the Series 2001A Bonds and any Additional PFC Revenue Bonds. Amounts in the PFC Coverage Account shall be used only for deposits to accounts or subaccounts relating to bonds which have a lien on PFC Revenues. Amounts in the PFC Escrow Account may be (i) transferred by the State to the Deposit Account of the Improvement Fund to pay allowable costs of PFC Facilities, (ii) transferred to the Bond Service Account or the Payments Account to be used for payments on related bonds and Contracts or (iii) used for such other purposes as may be permitted pursuant to applicable law. See **Appendix C – Summary of Certain Provisions of the Indenture – Revenue Fund and PFC Revenue Fund**, for a description of certain limitations applicable under the Indenture to such uses by the State.

***Debt Service Reserve Account.*** The Indenture establishes the Debt Service Reserve Account within the Debt Service Fund, together with separate subaccounts for each series of bonds under the Indenture. Each subaccount secures only the related series of bonds. Amounts with respect to the Series 2001A Bonds and the Series 2001B Bonds are on deposit in separate subaccounts of the Debt Service Reserve Account. A separate subaccount of the Debt Service Reserve Account will be established for the Bonds and the Series 2004 Reserve Account Credit Facility will be deposited therein in an amount equal to 10% of the principal amount of the Bonds, being the Debt Service Reserve Requirement for the Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE BONDS – Series 2004 Reserve Account Credit Facility.”

Whenever, for any reason, the amount in the Bond Service Account available to make the payment of principal or interest on bonds Outstanding (including the Series 2001 Bonds and the Bonds) under the Indenture, including amounts to be received from the Capitalized Interest

Account and the PFC Coverage Account for such payment, is insufficient to pay all such principal or interest coming due on any General Revenue Bonds within the next seven calendar days, the State is required to make up any deficiency by transfers from the General Airport Fund. Whenever, on the date that such principal or interest is due on any Senior Lien Bonds, there are insufficient moneys in the Bond Service Account available to make such payment, the Trustee is required, without further instructions, to apply so much as may be needed of the moneys in the related subaccount of the Debt Service Reserve Account to prevent default in the payment of such interest or principal, with priority to interest payments. Whenever by reason of any such application or otherwise the amount remaining to the credit of the related subaccount of the Debt Service Reserve Account is less than the amount then required to be in such subaccount of the Debt Service Reserve Account, such deficiency is required to be remedied by not more than 12 equal monthly deposits from the related account or accounts of the Revenue Fund, to the extent funds are available in the related account or accounts of the Revenue Fund for such purpose after all required transfers pursuant to the Indenture have been made. See **Appendix C – Summary of Certain Provisions of the Indenture – Debt Service Reserve Account.**

### **Additional Bonds**

The Bonds are being issued as Additional Senior Lien Bonds, on a parity with the Series 2001 Bonds, based on compliance with certain Indenture provisions that permit such issuance to refund any portion or all of the outstanding Prior Bonds, if, among other requirements, all Prior Bonds are being refunded under arrangements which immediately result in making provision for the payment of such Prior Bonds.

Pursuant to the terms of the Indenture, the State may issue additional bonds under the Indenture that are: (i) equally and ratably secured by the General Revenues or PFC Revenues under the Indenture on a parity with the Series 2001 Bonds and the Bonds (“Senior Lien Bonds”); (ii) subordinate to the Series 2001 Bonds and the Bonds (“Subordinate Lien Bonds”); (iii) secured by a Senior Lien on Special Purpose Revenues (“Special Purpose Revenue Bonds”); (iv) secured by a separable category or portion of revenues, income, receipts and money relating to a definable service, facility or program of the Airport withdrawn from General Revenues (“Released Revenue Bonds”); and (v) not Subordinate Lien Bonds and either (a) have no Senior Lien on any Revenues, (b) have no lien on any Revenues or (c) have a Senior Lien on some Revenues in addition to a Subordinate Lien on some Revenues (“Hybrid Bonds”).

The Indenture has various requirements for the issuance of Additional Bonds. Among these requirements is the requirement that for Additional Senior Lien Bonds issued on a parity with Outstanding Senior Lien Bonds (other than certain refunding bonds), there must be filed either:

(A) a report by an Independent Certified Public Accountant to the effect that the historical related Net Revenues (for General Revenues, without consideration of (i) amounts in the General Revenue Enhancement Account, or (ii) gifts or grants or expenditures of such gifts or grants) for each of the two most recent audited Fiscal Years, were equal to at least 120% (for PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues, 100% or such other percentage which may be specified in a Supplemental Indenture with respect to Outstanding PFC Revenue Bonds) of the Maximum Annual Debt Service Requirement on all related Senior Lien Bonds which will be Outstanding

immediately after the issuance of the proposed Additional Bonds and secured on a parity therewith, or

(B) a report by an Airport Consultant to the effect that in each Fiscal Year of the Forecast Period the forecasted related Net Revenues (for General Revenues, without consideration of (i) any amounts in the General Revenue Enhancement Account, or (ii) gifts or grants or expenditures of such gifts or grants) are expected to equal at least 125% (for PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues, 100% or such other percentage which may be specified in a Supplemental Indenture with respect to Outstanding PFC Revenue Bonds) of the Maximum Annual Debt Service Requirement on all Senior Lien Bonds which will be Outstanding immediately after the issuance of the proposed Additional Bonds and secured on a parity therewith.

The report by the Independent Certified Public Accountant that is required by (A) above may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees and charges for the services and facilities furnished by the Airport, imposed prior to the date of delivery of the proposed Additional Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used.

In connection with the issuance by the State of PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues, the State shall specify in the related Supplemental Indenture the percentage applicable to the issuance of additional PFC Revenue Bonds for purposes of clauses (A) and (B) above; provided that, each Rating Agency with a Rating then in effect with respect to the Airport (without regard to any Credit Facility then in effect with respect to any bonds Outstanding) shall indicate in writing to the State that the use of such percentage for purposes of clauses (A) and (B) above will not, by itself, result in a reduction or withdrawal of such Rating.

For additional information regarding the issuance of Additional Bonds under the Indenture, see **Appendix C – Summary of Certain Provisions of the Indenture - Additional Bonds.**

### **Airline Operating Agreements**

The State is presently a party to individual Air Carrier Operating Agreements (the “Agreements”) with six signatory airlines. The provisions of the Agreements are substantially identical. The “Signatory Airlines” (American, Continental, Delta, Northwest, United and US Airways) conduct regularly scheduled commercial flights at the Airport and utilize the passenger terminal complex. Those airlines executed their Agreements in 1982 and those Agreements expire on June 30, 2011. Two additional airlines (Southwest Airlines and Jazz Air) also are Signatory Airlines pursuant to temporary agreements signed as a prelude to executing the Agreement. Additionally, the Airport has agreements with other non-signatory air carriers operating at the Airport (the “Air Carriers”) that have various expiration dates. All of the rates, rents, fees and charges described below are Revenues under the Indenture and are deposited into the Revenue Fund under the Indenture.

Pursuant to the terms of the Agreement, the State imposes rates, rents, fees and charges for the use of the terminal building, the airfield and the aircraft apron areas in four categories:



- (a) Terminal Building Rental. Each Signatory Airline and Air Carrier pays rent on a square footage basis for the space leased by them within the terminal building. The terminal building rental rates per square foot are derived annually by dividing the gross square footage space in the terminal building into the budgeted Airport operating expenses allocated to the Terminal Building cost center to determine an operating cost component. Annual debt service for the Prior Bonds allocated to each area of the terminal complex is then added to the operating cost component to determine the total rate per square foot for each terminal area;
- (b) Landing Fees. Each Signatory Airline and Air Carrier pays a fee for landing aircraft at the Airport. The fee is based on the percentage of the Airport's budgeted operating expenses plus annual debt service for the Prior Bonds allocable to the Landing Area cost center, which is then multiplied by a "landing fee coefficient." The landing fee coefficient is derived by determining a "frequency factor" based on total aircraft arrivals for all Signatory Airlines as a percentage of total aircraft arrivals for all users of the Airport, plus a "weight factor" based upon the gross landed weight for all Signatory Airlines as a percentage of the total gross landed weight for all users of the Airport. The expenses of the Landing Area are multiplied by the sum of 35% of the weight factor and 65% of the frequency factor to determine the Signatory Airline's Landing Fee. The landing fee for each Air Carrier is set by agreement at a rate that ranges from a low of the rate for a Signatory Airline to a high that represents a DOT regulated multiple (1.4 as of March 15, 2004) of the Signatory Airline rate;
- (c) Baggage Claim Area Charges. Each Signatory Airline and Air Carrier pays a baggage claim area charge. These charges are determined by utilizing the Terminal Building rate per square foot multiplied by the total square footage of the baggage claim area allocable to the Signatory Airlines and Air Carriers as follows: 20% of the total costs are divided equally among all users of the baggage claim area and the remaining 80% of such costs are allocated to each user in proportion to the number of their enplaning passengers to the total number of enplaning passengers for all such users; and
- (d) Apron Area Rentals. Each Signatory Airline and Air Carrier pays aircraft apron area rentals, which are determined by dividing the total linear feet of apron area along the terminal building into the budgeted annual operating expenses and annual debt services for the Prior Bonds allocated to the Apron Area cost center to determine the Apron rental rate. The Apron rental rate is then multiplied by the actual linear feet of apron area utilized by the Signatory Airline or Air Carrier.

Airline rental rates are developed annually effective July 1 based on budgeted expenses allocated to the Terminal, Apron and Landing area cost centers as described above. Annual rate

development includes appropriate adjustments based on a comparison of the budget versus actual expenditure allocations of prior years.

The Agreements are being amended to reflect development of the Terminal Improvement Project financed through the Series 2001A Bonds (the “Amended Agreements”). As the Terminal Improvement Project involves the decommissioning of certain terminal and apron areas, the Amended Agreements provide for the transfer of debt service on the Prior Bonds allocated to the decommissioned areas to the areas of the terminal and apron remaining or newly put into service as part of the Terminal Improvement Project. The Amended Agreements also provide for the allocation of Series 2001 Bond debt service to appropriate areas of the Terminal and Apron cost centers so that such debt is included in airline rates and charges. For rate development purposes, debt service on the Bonds will be treated in the same manner as the Prior Bonds as provided under the Amended Agreements. The amendment has been fully negotiated with the Signatory Airlines and provided to each Signatory Airline for execution. US Airways and Northwest Airlines have executed the Amended Agreement.

Under the Amended Agreements, the State will continue to impose rates, rents, fees and charges in the same categories as under the current Agreements with a change in the computation of the Terminal Building Rentals. The State will recalculate the Terminal Building Rentals to reflect a blended rate for the Unified Terminal Complex. This blended rate will reflect the properly allocable operating expenses of the entire terminal building, including allocated debt service on the Series 2001A Bonds, Series 2001B Bonds and the Bonds. As additional rent under the Amended Agreements, the State will also impose direct debt service allocations for a portion of the Series 2001A Bonds set aside and utilized by the Signatory Airlines for finish work in airline exclusive use space. Such funds are made available under the terms of the Amended Agreement and a Tenant Finish Fund Letter Agreement with the State. US Airways, Continental and Northwest Airlines have executed the letter agreements.

For additional information regarding the Amended Agreements and Tenant Finish Fund Letter Agreements, see **Appendix B - Summary of Airline Operating Agreements**.

## **Remedies**

For a description of the events of default under the Indenture and the remedies available to the Trustee, on behalf of the holders of the Bonds, see **Appendix C – Summary of Certain Provisions of the Indenture – Defaults and Remedies**.

The exercise of any remedies may require judicial actions, which are often subject to discretion and delay and which may be difficult to pursue. The enforceability of rights or remedies with respect to the Bonds may be limited by state and federal laws, rulings, and decisions affecting remedies and by bankruptcy, insolvency, or other laws affecting creditors’ rights or remedies heretofore or hereafter enacted.

Under the Indenture, the Bond Insurer will have certain rights with respect to the Bonds to consents, notices and to control certain procedures, including without limitation the right to control enforcement proceedings without the consent of Bondholders following an event of default under the Indenture. While the Bond Insurer has agreed to issue its Bond Insurance Policy (see “BOND INSURANCE AND SERIES 2004 RESERVE ACCOUNT CREDIT FACILITY”), neither the Bond Insurer nor the State make any representations that the Bond

Insurer will exercise any or all rights available to the Bond Insurer with respect to the Bonds, or that the Bond Insurer will act in such a manner as to promote and protect the interests of Bondholders of the Bonds. See **Appendix C – Summary of Certain Provisions of the Indenture – Special Provisions Relating to the Bond Insurer.**

## **BOND INSURANCE AND SERIES 2004 RESERVE ACCOUNT CREDIT FACILITY**

*The following information has been furnished by Financial Guaranty Insurance Company (the “Bond Insurer” or “Financial Guaranty”) for use in this Official Statement. No representation is made by the State or the Underwriter as to the accuracy or completeness of this information. Reference is made to Appendix F for specimens of the Bond Insurance Policy and the Series 2004 Reserve Account Credit Facility.*

### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, the Bond Insurer will issue the Bond Insurance Policy for the Bonds. The Bond Insurance Policy unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the State. The Bond Insurer will make such payments to U.S. Bank Trust National Association, or its successor as its agent (the “Fiscal Agent”), on the later of the date on which such principal and interest is due or on the business day next following the day on which the Bond Insurer shall have received notice (in accordance with the terms of the Bond Insurance Policy) from an owner of Bonds or the trustee or paying agent (if any) of the nonpayment of such amount by the State. The Fiscal Agent will disburse such amount due on any Bond to its owner upon receipt by the Fiscal Agent of evidence satisfactory to the Fiscal Agent of the owner’s right to receive payment of the principal or interest (as applicable) due for payment and evidence, including any appropriate instruments of assignment, that all of such owner’s rights to payment of such principal or interest (as applicable) shall be vested in the Bond Insurer. The term “nonpayment” in respect of a Bond includes any payment of principal or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

Once issued, the Bond Insurance Policy is non-cancellable by the Bond Insurer. The Bond Insurance Policy covers failure to pay principal of the Bonds on their stated maturity dates and their mandatory sinking fund dates, and not on any other date on which the Bonds may have been otherwise called for redemption, accelerated or advanced in maturity. The Bond Insurance Policy also covers the failure to pay interest on the stated date for its payment. If the Bonds are accelerated or become subject to mandatory redemption, the Bond Insurer will be obligated to pay principal and interest on the originally scheduled principal (including mandatory sinking fund redemption) and interest payment dates. Upon such payment, the Bond Insurer will become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and will be fully subrogated to all of the Bondholder’s rights thereunder.

The Bond Insurance Policy does not insure any risk other than Nonpayment by the Issuer, as defined in the Bond Insurance Policy. Specifically, the Bond Insurance Policy does not cover:

(i) payment on acceleration, as a result of a call for redemption (other than mandatory sinking fund redemption) or as a result of any other advancement of maturity; (ii) payment of any redemption, prepayment or acceleration premium; or (iii) nonpayment of principal or interest caused by the insolvency or negligence or any other act or omission of the trustee or paying agent, if any. As a condition of its commitment to insure the Bonds, the Bond Insurer may be granted certain rights under the bond documentation. The specific rights, if any, granted to the Bond Insurer in connection with its insurance of the Bonds are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. **See Appendix C – Summary of Certain Provisions of the Indenture – Special Provisions Relating to the Bond Insurer.**

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

The Bond Insurance Policy is not covered by the Connecticut Insurance Guaranty Association (Connecticut Insurance Code, Title 38a, Chapter 704a, Part I).

### **Series 2004 Reserve Account Credit Facility**

Concurrently with the issuance of the Bonds, the Bond Insurer will issue the Series 2004 Reserve Account Credit Facility. The Series 2004 Reserve Account Credit Facility unconditionally guarantees the payment of that portion of the principal of and interest on the Bonds which has become due for payment, but shall be unpaid by reason of nonpayment by the State, provided that the aggregate amount paid under the Series 2004 Reserve Account Credit Facility may not exceed the maximum amount set forth therein (\$3,064,000). The Bond Insurer will make such payments to the paying agent for the Bonds on the later of the date on which such principal or interest (as applicable) is due or on the business day next following the day on which the Bond Insurer shall have received telephonic or telegraphic notice subsequently confirmed in writing or written notice by registered or certified mail from the paying agent of the nonpayment of such amount by the State. The term “nonpayment” in respect of a Bond includes any payment of principal or interest (as applicable) made to an owner of a Bond which has been recovered from such owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final nonappealable order of a court having competent jurisdiction.

The Series 2004 Reserve Account Credit Facility is non-cancellable and the premium will be fully paid at the time of delivery of the Bonds. The Series 2004 Reserve Account Credit Facility covers failure to pay principal of the Bonds on their respective stated maturity dates, or dates on which the same shall have been called for mandatory sinking fund redemption, and not on any other date on which the Bonds may have been accelerated, and covers the failure to pay an installment of interest on the stated date for its payment. The Series 2004 Reserve Account Credit Facility shall terminate on the earlier of the scheduled final maturity date of the Bonds or the date on which no Bonds are outstanding under the Indenture.

Generally, in connection with its issuance of a reserve policy, the Bond Insurer requires, among other things, (i) that, so long as it has not failed to comply with its payment obligations under the reserve policy, it be granted the power to exercise any remedies available at law or under the authorizing document other than (A) acceleration of the Bonds or (B) remedies which would adversely affect holders in the event that the issuer fails to reimburse the Bond Insurer for

any draws on the reserve policy; and (ii) that any amendment or supplement to or other modification of the principal legal documents be subject to the Bond Insurer's consent. The specific rights, if any, granted to the Bond Insurer in connection with its issuance of the Series 2004 Reserve Account Credit Facility are set forth in the description of the principal legal documents appearing elsewhere in this Official Statement. **See Appendix C – Summary of Certain Provisions of the Indenture – Special Provisions Relating to the Bond Insurer.**

The Series 2004 Reserve Account Credit Facility is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

The Series 2004 Reserve Account Credit Facility is not covered by the Property/Casualty Insurance Guaranty Association (Connecticut Insurance Code, Title 38a, Chapter 704a, Part I).

### **Financial Guaranty Insurance Company**

Financial Guaranty, a New York stock insurance corporation, is a direct, wholly-owned subsidiary of FGIC Corporation, and provides financial guaranty insurance for public finance and structured finance obligations. Financial Guaranty is licensed to engage in financial guaranty insurance in all 50 states, the District of Columbia and the Commonwealth of Puerto Rico and, through a branch, in the United Kingdom. Financial Guaranty is a wholly-owned subsidiary of FGIC Corporation, a Delaware corporation.

On December 18, 2003, an investor group consisting of The PMI Group, Inc. ("PMI"), affiliates of The Blackstone Group L.P. ("Blackstone"), affiliates of The Cypress Group L.L.C. ("Cypress") and affiliates of CIVC Partners L.P. ("CIVC") acquired FGIC Corporation (the "FGIC Acquisition") from a subsidiary of General Electric Capital Corporation ("GE Capital"). PMI, Blackstone, Cypress and CIVC acquired approximately 42%, 23%, 23% and 7%, respectively, of FGIC Corporation's common stock. GE Capital retained approximately \$234.6 million in liquidation preference of FGIC Corporation's convertible participating preferred stock and approximately 5% of FGIC Corporation's common stock. Neither FGIC Corporation nor any of its shareholders is obligated to pay any debts of Financial Guaranty or any claims under any insurance policy, including the Bond Insurance Policy or the Series 2004 Reserve Account Credit Facility, issued by Financial Guaranty.

Financial Guaranty is subject to the insurance laws and regulations of the State of New York, where it is domiciled, including Article 69 of the New York Insurance Law ("Article 69"), a comprehensive financial guaranty insurance statute. Financial Guaranty is also subject to the insurance laws and regulations of all other jurisdictions in which it is licensed to transact insurance business. The insurance laws and regulations, as well as the level of supervisory authority that may be exercised by the various insurance regulators, vary by jurisdiction, but generally require insurance companies to maintain minimum standards of business conduct and solvency, to meet certain financial tests, to comply with requirements concerning permitted investments and the use of policy forms and premium rates and to file quarterly and annual financial statements on the basis of statutory accounting principles ("SAP") and other reports. In addition, Article 69, among other things, limits the business of each financial guaranty insurer, including Financial Guaranty, to financial guaranty insurance and certain related lines.



For the years ended December 31, 2003 and December 31, 2002, Financial Guaranty had written directly or assumed through reinsurance, guaranties of approximately \$42.4 billion and \$47.9 billion par value of securities, respectively (of which approximately 79% and 81%, respectively, constituted guaranties of municipal bonds), for which it had collected gross premiums of approximately \$260.3 million and \$232.6 million, respectively. For the year ended December 31, 2003, Financial Guaranty had reinsured, through facultative arrangements, approximately 2.0% of the risks it had written.

As of December 31, 2003, Financial Guaranty had net admitted assets of approximately \$2.741 billion, total liabilities of approximately \$1.587 billion, and total capital and surplus of approximately \$1.153 billion, determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

The audited financial statements of Financial Guaranty as of December 31, 2003 and 2002, which have been filed with the Nationally Recognized Municipal Securities Information Repositories (“NRMSIRs”), are hereby included by specific reference in this Official Statement. Any statement contained herein under the heading “BOND INSURANCE AND SERIES 2004 RESERVE ACCOUNT CREDIT FACILITY,” or in any documents included by specific reference herein, shall be modified or superseded to the extent required by any statement in any document subsequently filed by Financial Guaranty with such NRMSIRs, and shall not be deemed, except as so modified or superseded, to constitute a part of this Official Statement. All financial statements of Financial Guaranty (if any) included in documents filed by the State with the NRMSIRs subsequent to the date of this Official Statement and prior to the termination of the offering of the Bonds shall be deemed to be included by specific reference into this Official Statement and to be a part hereof from the respective dates of filing of such documents.

Financial Guaranty also prepares quarterly and annual financial statements on the basis of generally accepted accounting principles. Copies of Financial Guaranty’s most recent GAAP and SAP financial statements are available upon request to: Financial Guaranty Insurance Company, 125 Park Avenue, New York, NY 10017, Attention: Corporate Communications Department. Financial Guaranty’s telephone number is (212) 312-3000.

### **Financial Guaranty’s Credit Ratings**

The financial strength of Financial Guaranty is rated “AAA” by Standard & Poor’s, a Division of The McGraw-Hill Companies, Inc., “Aaa” by Moody’s Investors Service, and “AAA” by Fitch Ratings. Each rating of Financial Guaranty should be evaluated independently. The ratings reflect the respective ratings agencies’ current assessments of the insurance financial strength of Financial Guaranty. Any further explanation of any rating may be obtained only from the applicable rating agency. These ratings are not recommendations to buy, sell or hold the Bonds, and are 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. Financial Guaranty does not guarantee the market price or investment value of the Bonds nor does it guarantee that the ratings on the Bonds will not be revised or withdrawn.

**Neither Financial Guaranty nor any of its affiliates accepts any responsibility for the accuracy or completeness of the Official Statement or any information or disclosure that is provided to potential purchasers of the Bonds, or omitted from such disclosure, other than with respect to the accuracy of information with respect to Financial Guaranty, the Bond Insurance Policy or the Series 2004 Reserve Account Credit Facility under the heading “BOND INSURANCE AND THE SERIES 2004 RESERVE ACCOUNT CREDIT FACILITY.” In addition, Financial Guaranty makes no representation regarding the Bonds or the advisability of investing in the Bonds.**

## **BRADLEY INTERNATIONAL AIRPORT**

### **Introduction**

Bradley International Airport is New England’s second largest airport, servicing most of Connecticut, western Massachusetts, eastern New York, southern Vermont and western New Hampshire. The Airport is situated on approximately 2,358 acres of land located 12 miles from Hartford, Connecticut and 12 miles from Springfield, Massachusetts. In addition to the Hartford and Springfield areas, the Airport is within one hour and fifteen minutes of driving time from numerous other Connecticut and Massachusetts cities, including New Haven, Bridgeport, Danbury, New London, Worcester and Pittsfield. It is equidistant between New York City and Boston. The Airport serves as an alternative landing site for Concord, New Hampshire and other flights into the Boston and New York City Airports.

In 2002, the Airport was ranked by Airports Council International-North America as the 53rd busiest airport in North America in terms of passenger volume, and 39<sup>th</sup> busiest in terms of air cargo. The Airport’s passenger makeup consists of 50% leisure travel and 50% business travel. Over 97% of the passenger activity at the Airport is from passengers who are beginning or ending their flight at the Airport. Therefore the Airport is designated an Origin/Destination Airport.

Total passenger traffic at the Airport in 2003 was 6.3 million enplaned and deplaned passengers. This represented a decrease of 4% from 2002 passenger activity. In 2003, a total of 135,271 aircraft operations occurred at the Airport including commercial, private and military departures and arrivals. This represented a decrease of 8.3% from 2002 operations. As noted in “INTRODUCTION – Bradley International Airport,” passenger traffic appears to have leveled off and returned to growth in the most recent calendar quarter of activity. Enplaned passengers have increased 5.0% for the first quarter of 2004 over the first quarter of 2003. Table 3 shows monthly enplaned passengers for the period from January 2001 to March 2004. See Table 1 in “INTRODUCTION – Bradley International Airport” for historic enplaned passengers for 1998 to the first quarter of 2004.

**Table 3**  
**Bradley International Airport**  
**Monthly Enplaned**  
**Passengers**

<u>Enplaned</u> <u>Passengers</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>1st Qtr.</u> <u>2004</u>
January	266,156	223,307	228,690	229,827
February	279,069	245,900	236,621	255,305
March	307,906	279,349	262,327	279,036
April	321,772	292,001	269,891	
May	320,190	286,341	268,041	
June	314,351	285,717	265,062	
July	336,005	300,277	289,612	
August	352,046	311,224	287,981	
September	186,492	232,662	227,305	
October	265,015	290,663	284,464	
November	256,456	252,973	258,395	
December	<u>243,142</u>	<u>270,188</u>	<u>270,109</u>	
<b>Total</b>	3,448,600	3,270,602	3,148,498	

The Airport currently is served by 16 scheduled airlines (eight major airlines and eight commuter airlines) shown in Table 4. The scheduled airlines currently provide non-stop service to and from 33 major cities including Atlanta, Baltimore, Charlotte, Chicago, Cincinnati, Cleveland, Dallas, Denver, Ft. Lauderdale, Houston, Las Vegas, Miami, Minneapolis, Nashville, Newark, Philadelphia, Phoenix, San Juan, St. Louis, Tampa, Washington, Montreal and Toronto. One-stop (no plane change) service is also available to and from 25 additional cities including numerous destinations in Florida, the West Coast and Canada.

For the year 2003, the five top air carriers at the Airport carried 81.5% of the total enplaned passengers of 3.15 million. Table 4 shows detailed enplaned passenger market share for each major airline and commuter airline for the period from 2001 to the first quarter of 2004.

**Table 4**  
**Bradley International Airport**  
**Calendar Year 2001 – 2004**  
**Detail Enplaned Passenger Market Share**

<u>Airline</u>	<b>2001</b>		<b>2002</b>		<b>2003</b>		<b>1st Qtr. 2004</b>	
	<u>Enplanements</u>	<u>Share</u>	<u>Enplanements</u>	<u>Share</u>	<u>Enplanements</u>	<u>Share</u>	<u>Enplanements</u>	<u>Share</u>
Delta Air Lines / Song	810,166	23.5%	895,083	27.4%	819,550	26.0%	226,223	29.6%
Southwest Airlines	404,224	11.7%	457,898	14.0%	497,666	15.8%	122,967	16.1%
US Airways	713,637	20.7%	511,250	15.6%	492,500	15.6%	117,186	15.3%
American	442,937	12.8%	556,846	17.0%	487,047	15.5%	110,393	14.4%
United Airlines	295,572	8.6%	243,991	7.5%	267,955	8.5%	57,718	7.5%
Northwest Airlines	212,927	6.2%	208,124	6.4%	227,878	7.2%	48,951	6.4%
America West	80,718	2.3%	72,372	2.2%	60,211	1.9%	10,263	1.3%
Continental Airlines	49,258	1.4%	21,275	0.7%	23,657	0.8%	612	0.1%
TWA	106,623	3.1%	-	0.0%	-	0.0%	-	0.0%
Midway	68,864	2.0%	-	0.0%	-	0.0%	-	0.0%
Midwest Express	20,318	0.6%	-	0.0%	-	0.0%	-	0.0%
<b>Total Majors</b>	<b>3,205,244</b>	<b>92.9%</b>	<b>2,966,839</b>	<b>90.7%</b>	<b>2,876,464</b>	<b>91.4%</b>	<b>694,313</b>	<b>90.8%</b>
Continental Express	91,155	2.6%	93,665	2.9%	90,497	2.9%	21,888	2.9%
United Express	23,008	0.7%	62,862	1.9%	53,296	1.7%	13,427	1.8%
American Eagle	21,404	0.6%	42,488	1.3%	30,283	1.0%	5,924	0.8%
Air Canada / Jazz	40,594	1.2%	34,528	1.1%	19,606	0.6%	3,075	0.4%
US Airways Express	34,343	1.0%	29,368	0.9%	17,302	0.5%	4,110	0.5%
Skyway Airlines	-	0.0%	19,817	0.6%	17,004	0.5%	3,012	0.4%
Commute Air	8,718	0.3%	785	0.0%	4,799	0.2%	1,168	0.2%
Shuttle America	171	0.0%	-	0.0%	-	0.0%	-	0.0%
Trans States	1,268	0.0%	-	0.0%	4,091	0.1%	6,416	0.8%
Air Nova	985	0.0%	-	0.0%	-	0.0%	-	0.0%
<b>Total Commuters</b>	<b>221,646</b>	<b>6.4%</b>	<b>283,513</b>	<b>8.7%</b>	<b>236,878</b>	<b>7.5%</b>	<b>59,020</b>	<b>7.7%</b>
International Charters	21,536	0.6%	15,977	0.5%	21,266	0.7%	6,965	0.9%
Domestic Charters	174	0.0%	4,273	0.1%	13,890	0.4%	4,594	0.6%
<b>Total Enplanements</b>	<b>3,448,600</b>	<b>100.0%</b>	<b>3,270,602</b>	<b>100.0%</b>	<b>3,148,498</b>	<b>100.0%</b>	<b>764,892</b>	<b>100.0%</b>

There are also ten cargo operators at the Airport. The cargo operators are United Parcel Service, Federal Express, Airborne Express, Bax, DHL, Emery, Tradewinds, Airnet, Kitty Hawk and Wiggins. Air cargo warehouse space at the Airport totals 446,000 square feet. As shown in Table 4, cargo activity also has declined since the events of September 11, 2001. While freight spiked in 1999, it otherwise has remained relatively constant, with the decline in total cargo activity resulting from declining mail volumes.

**Table 5 - Bradley International Airport  
Calendar Year  
Historic Cargo Tonnage**

<u>Year</u>	<u>Freight Tons</u>	<u>Mail Tons</u>	<u>Total Cargo Tons</u>	<u>Change</u>
1998	141,825	39,559	181,384	—
1999	149,934	43,507	193,441	6.6%
2000	141,481	47,548	189,029	-2.3%
2001	143,141	27,170	170,311	-9.9%
2002	143,073	10,398	153,471	-9.9%
2003	142,293	10,592	152,885	-0.4%
2004 <sup>(†)</sup>	36,682	2,401	39,083	8.9%

<sup>(†)</sup> 2004 first quarter only; comparison to first quarter 2003.

### Air Service Area





The Airport is located between Hartford, Connecticut and Springfield, Massachusetts and adjacent to Interstate 91. Airport passenger surveys from previous studies undertaken for the Airport indicate that the Airport air service area is centered on Hartford County, the ground travel origin of approximately 44% of enplaned air carrier passengers. Beyond Hartford County, the larger air service area is defined by most of the State of Connecticut as well as southwestern Massachusetts.

Those survey findings also showed that roughly 89% of passengers enplaning at the Airport originated in an area comprising the entire State of Connecticut minus Fairfield County, plus the two Massachusetts counties of Hampden and Hampshire. This area is defined as the Airport's Air Service Area. Other than Massachusetts, out-of-state passengers come from eastern New York, southern Vermont and western New Hampshire. These non-Massachusetts out-of-state passengers make up only a small proportion of total passenger volume, accounting for just over 1% of enplanements.

### **The Economy, Population, Income and Employment**

The State is a highly developed and urbanized state. It is situated directly between the financial centers of Boston and New York. The State is located on the northeast coast and is the southernmost of the New England States. It is bordered by Long Island Sound, New York, Massachusetts and Rhode Island. More than one-quarter of the total population of the United States and more than 50% of the Canadian population live within 500 miles of the State. The State's population grew at a rate which exceeded the United States' rate of population growth during the period 1940 to 1970, and slowed substantially during the past three decades. The State has extensive transportation and utility services to support its economy.

The State's economic performance is measured by personal income which has been and is expected to remain among the highest in the nation; gross state product (the market value of all final goods and services produced by labor and property located within the State) which demonstrated stronger output growth than the nation in general during the 1980s, slower growth for a few years in the early 1990s, steadily increasing growth during the rest of the 1990s; employment which fell during the early 1990s but rose steadily during the rest of the decade to a level above those experienced in the early 1990s; and the unemployment rate, which is lower than the regional and national rate. In comparison to the late 1990s, the 2001 and 2002 growth rates for these key economic performance measurements for the State, as well as for the New England region and the United States, reflected weaker performance due to a recession.

The financial operations of the Airport are impacted by population, income and employment trends. The United States Bureau of the Census estimated the population of the State to be 3,483,000 persons in 2003. In 2003, 3.15 million enplanements were recorded at the Airport. Income in the air service area is also largely determined by trends in the State. The United States Bureau of the Census estimate for 2003 placed the State first among the 50 states in terms of per capita personal income at \$43,173, 36% above the national average. The unemployment rate in the State, at 5.0% in 2003, was well below the national rate of 6.0%, and non-agricultural employment growth in 2002, at negative .77%, was still better than the regional and national rates. A reason for favorable prospects for the area is the high skill level of the workforce. The State of Connecticut has one of the highest proportions of state populations that have obtained college degrees.

## Current Facilities

The Airport presently operates two domestic passenger terminal complexes including four concourses with a total of 42 gates and a new Federal Inspection Service building for international arrivals. Please refer to the aerial photo of the Airport on the inside front cover page for a view of these facilities.

***The Terminal Buildings.*** Approaching from the southeast on the terminal roadway network, the first building encountered is the New Terminal and East Concourse financed with the Series 2001A Bonds as part of the Terminal Improvement Program. This facility opened in April 2003 with service by Southwest Airlines. Northwest and Continental relocated to the new terminal shortly thereafter, and Delta was the last carrier to relocate in September 2003. These carriers occupy eleven of twelve gates available in the new concourse. Continuing west on the terminal roadway, Terminal A adjoins the new terminal. Dedicated in May 1986 and presently undergoing refurbishment and expansion as part of the Terminal Improvement Program, Terminal A and its Concourse C are occupied by United and US Airways. These airlines occupy seven of the eleven gates in Concourse C. The remaining four gates are under construction. The New Terminal and East Concourse, combined with Terminal A and Concourse C, are referred to as the Unified Terminal Complex. The facility contains all of the functional elements of a modern terminal complex. The remaining renovations and improvements to the existing terminal facilities are expected to be completed in early 2006.

Between the Unified Terminal Complex and the old International Arrivals Building (IAB) is an existing Sheraton Hotel that connects through non-secure walkways to the lobbies of the Unified Terminal Complex and the Murphy Terminal Complex. The IAB is the next facility encountered on the roadway. It was used by Southwest Airlines and Continental Airlines prior to their relocation to the Unified Terminal Complex and for all international arrivals prior to completion of the new Federal Inspection Service building in December 2002. The facility remains available for temporary use by airlines displaced by refurbishment activities and is planned for decommissioning when it is no longer needed. Decommissioning means the facility will be removed from service but kept operationally ready in the event it is needed for new entrants or expansion by existing carriers. The IAB represents a linear concept, housing both terminal and concourse elements in a single structure. It also functions as a connector linking the Unified Terminal Complex and the Murphy Terminal Complex.

Adjoining the IAB is the Murphy Terminal Complex. Dedicated in 1951, it is the oldest continuously in-use airport passenger terminal in the United States today. Originally built as a single level terminal reflecting a simple linear concept, it has been added to and expanded over the years with the addition of its Concourses A and B, and three additional floors. It is now a multi-level facility with departures and arrivals separated on the second and first floors, respectively. Concourse B was previously occupied by Northwest Airlines until its relocation to the Unified Terminal Complex. Concourse B was also occupied by Jazz Air, which was relocated to Concourse A after Northwest's relocation so that Concourse B could be decommissioned. Delta occupied Concourse A until its relocation to the Unified Terminal Complex. American Airlines and Jazz Air will continue to occupy Concourse A until refurbishment activities progress to a point that permits their relocation to the Unified Terminal Complex. Upon the relocation of American and Jazz Air, all of the Murphy Terminal Complex will be decommissioned. Airport administrative and operational offices are also transitioning from areas within the Murphy Terminal Complex to the Unified Terminal Complex.

**Runways and Taxiways.** The Airport has three runways and 17 taxiways. Runway 6-24 is the main precision instrument approach runway utilized at the Airport. It has a length of 9,501 feet, a width of 200 feet and is oriented in a northeast – southwest configuration. The runway has the capacity to accommodate all types of commercial aircraft flown by the major airlines. Its last major reconstruction was completed in 1990. Runway 15-33 is the crosswind-utility instrument approach runway. It has a usable length of 6,846 feet, width of 150 feet and is oriented in a northwest – southeast configuration. The runway has the capacity to handle most types of commercial aircraft flown by the major airlines, with the exclusion of larger long-range models, i.e. Boeing 747s and 767s. Its last major reconstruction was completed in 1991. Runway 1-19 is a utility runway with a usable length of 5,246, a width of 100 feet and is oriented in a north-south configuration. This runway has the capacity to handle smaller corporate jets as well as commuter aircraft. The Airport's Capital Improvement Program includes reconstruction of Runway 6-24 in fiscal year 2008 and Runway 15-33 in fiscal year 2011. Both projects are programmed for future Airport Improvement Program (AIP) funding coupled with AIP Discretionary Funds and/or additional future PFC funds.

**Parking Facilities.** There are seven public parking facilities available at the Airport. These include the Parking Garage, located adjacent to the Unified Terminal Complex, and Surface Parking lots B, 1, 3, 4, 5A, 5B and 5C. These facilities provide a total of 7,256 public parking spaces, 755 short term and 6,501 long term. In addition to the public parking spaces, 434 employee-parking spaces are available in Lot 2, which are supplemented as needed through spaces made available on the Parking Garage roof. Eight off-Airport valet parking operators also serve the Airport. Each valet parking operator provides shuttle service to and from the Airport's passenger terminals.

**Co-Generation Plant.** The Airport facilities include a co-generation plant that provides electric, heating and cooling for the Unified Terminal Complex. The plant includes three natural gas-fired reciprocating engine generator sets that are capable of generating approximately 3.4 megawatts of electricity and 22 million Btu/hr of hot water, three chillers, two fire-tube boilers, engine exhaust gas heat recovery hot water boilers, heat balance hot water heat exchangers and associated infrastructure. The plant is capable of operating in parallel with the electric distribution company, as well as in isolation from the grid. The construction cost of the facility was \$11.2 million. The plant became fully operational in November 2002. The plant is owned by the Airport and is operated and maintained by Select Energy Services, Inc. under an operating and maintenance agreement with the State.

**Other Facilities.** The Airport recently completed the construction of a three station deicing facility at the end of Runway 6-24. This will provide for the deicing of aircraft just prior to their takeoff. The facility is integrated into the Airport's new glycol recovery and treatment system.

Two fire stations, a general airport maintenance facility and a new FAA air traffic control tower are located at the Airport.

A full service, eight story Sheraton Hotel is located within Terminal A at the Airport. The hotel was constructed in 1986 and has 237 guestrooms, an underground 261-space parking garage, conference/meeting facilities and a full service restaurant. The hotel's occupancy levels have averaged around 80%, with midweek (Tuesday through Thursday) occupancy at or near 100% and weekend occupancy around 70%.

A fuel farm is located on the Airport and consists of a 1.8 million-gallon main jet fuel storage tank fed via a national fuel pipeline. A secondary tank of 467,000 gallons is fed from the main tank. Additional on-airport pipelines supply fuel to fixed base operator facilities for distribution to aircraft.

In 1996, United Parcel Service leased a 28-acre site at the Airport to construct a sorting and distribution facility. The facility, the regional hub for UPS, includes a 150,000 square foot sorting and distribution building, a 170,000 square foot aircraft parking apron, a glycol collection system and associated vehicle parking, drainage and site improvements.

As part of the Airport's Capital Improvement Program, the Airport plans to spend approximately \$5,750,000 over the next five years (supplemented by additional AIP and PFC funds as necessary) on various runway and taxiway realignment and reconstruction projects, construction of an airfield electrical vault, reconstruction of perimeter roadways, equipment acquisition, pavement evaluation and airport signage.

### **Selected Financial Information**

The following revenues and expenses for the five years ending June 30, 1999 – 2003 reflect the figures as presented in the Airport's audited financial statements which are prepared on the accrual basis of accounting. For the periods ending June 30, 1999 through June 30 2001, financial information is presented in a format used prior to the Airport's implementation of the requirements of Government Accounting Standards Board Statement 34 (GASB 34). For the periods ending June 30, 2002 and 2003, financial information is presented in the GASB 34 conforming format. Prior to the implementation of GASB 34, capital contributions such as Airport Improvement Program Grants were reported in the capital section of the balance sheet. With the implementation of GASB 34, capital contributions are reported in the statement of revenues, expenses and changes in fund net assets. They are reported separately after non operating revenues and expenses.

**Bradley International Airport**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For The Years Ended June 30, 2003 and 2002**  
**(After Implementation of GASB 34)**

OPERATING REVENUE	2003	2002
Airline Revenue		
Landing Fees	\$ 11,680,525	\$ 7,221,826
Airline Terminal Rent	6,254,918	5,696,619
Apron and Remote Aircraft Parking	2,616,417	2,055,768
Total Airline Revenue	\$ 20,551,860	\$ 14,974,213
Non - Airline Revenue		
Auto Parking	\$ 8,515,716	\$ 8,340,564
Rental Cars	6,183,753	6,631,682
Terminal Concessions	3,697,556	4,004,989
Land Rent	2,608,380	2,246,172
Other Concessions	2,068,760	2,163,260
Other Operating Revenue	1,577,047	1,035,246
Total Non - Airline Revenue	\$ 24,651,212	\$ 24,421,913
 TOTAL OPERATING REVENUE	 \$ 45,203,072	 \$ 39,396,126
 OPERATING EXPENSES		
Salaries and Related Expense	\$ 11,606,779	\$ 11,154,268
Contractual Services	14,505,820	13,510,193
Depreciation and Amortization	12,913,244	11,007,488
Energy and Utilities	3,319,587	2,006,346
Other Operating Expense Including Doubtful Accounts	1,821,746	1,167,014
TOTAL OPERATING EXPENSES	\$ 44,167,176	\$ 38,845,309
 OPERATING INCOME	 \$ 1,035,896	 \$ 550,817
 NON-OPERATING REVENUES (EXPENSES)		
Passenger Facility Charge Revenue	\$ 12,907,676	\$ 13,570,598
Investment Income	6,691,782	10,086,146
Bond Interest Expense	(10,156,451)	(11,609,133)
Total Non-Operating Revenues	\$ 9,443,007	\$ 12,047,611
 INCOME BEFORE CAPITAL CONTRIBUTIONS	 \$ 10,478,903	 \$ 12,598,428
 CAPITAL CONTRIBUTIONS	 \$ 5,041,119	 \$ 12,162,772
 CHANGE IN NET ASSETS	 \$ 15,520,022	 \$ 24,761,200
 Total Net Assets, beginning of year	 \$ 198,941,796	 \$174,180,596
Total Net Assets, end of year	\$ 214,461,818	\$198,941,796



**Bradley International Airport**  
**Statement of Operations and Retained Earnings**  
**For The Years Ended June 30, 2001, 2000 and 1999**  
**(Prior to Implementation of GASB 34)**

AIRLINE REVENUE	2001	2000	1999
Terminal building – Airline	\$ 4,248,508	\$ 4,217,125	\$ 4,148,555
Passenger terminal apron	1,868,217	1,936,625	1,576,880
Baggage claim rent	1,022,774	948,198	881,579
Landing fees	8,387,974	7,895,650	6,424,882
Sub Total	\$ 15,527,473	\$ 14,997,598	\$ 13,031,896
NON AIRLINE REVENUE			
Rental cars	\$ 7,376,759	\$ 6,790,804	\$ 5,663,030
Restaurants	2,913,815	2,599,846	2,313,132
Hotel concessions	478,086	453,772	406,017
Other concessions	3,118,751	2,918,834	2,453,951
Fixed base operations	650,224	668,475	650,539
Land and building rentals	2,315,415	2,363,926	2,261,768
Auto parking	8,169,012	10,029,716	9,073,162
Other operating revenue	646,493	484,220	505,403
Sub Total	\$ 25,668,555	\$ 26,187,833	\$ 23,244,647
TOTAL OPERATING REVENUES	\$ 41,196,028	\$ 41,307,191	\$ 36,358,898
PERSONAL SERVICES			
Salaries and wages	\$ 6,491,237	\$ 6,057,824	\$ 5,808,852
Overtime	1,086,018	631,179	757,854
Shift differential	26,856	25,493	26,669
Other pay	144,552	121,803	126,341
Fringe benefits	3,235,935	2,853,851	2,552,628
Indirect cost allocation	324,565	302,891	290,442
Other personal services	126,170	91,360	151,600
Sub Total	\$ 11,435,333	\$ 10,084,401	\$ 9,714,386
OTHER EXPENSES			
Contractual services	\$ 10,148,207	\$ 9,101,443	\$ 8,999,508
Commodities	921,683	746,210	632,689
Utilities	2,147,325	1,828,913	1,849,479
Other	35,899	54,240	46,420
Sub Total	\$ 13,253,114	\$ 11,730,806	\$ 11,528,096
Depreciation	\$ 9,211,113	\$ 8,487,629	\$ 8,151,583
Amortization	703,973	375,831	413,411
Bad debt	84,062	26,651	10,231
TOTAL OPERATING EXPENSES	\$ 34,687,595	\$ 30,705,318	\$ 29,817,707
INCOME FROM OPERATIONS	\$ 6,508,433	\$ 10,601,873	\$ 6,541,191
NON-OPERATING REVENUES (EXPENSES)			
Investment income	\$ 7,343,229	\$ 3,559,686	\$ 2,977,617
Revenue bond interest expense	(8,128,946)	(5,728,354)	(5,968,680)
Subordinated refunding bond interest expense	(161,817)	(289,301)	(300,631)
(Loss) gain on disposal of equipment	1,289	62,650	(1,321)
Total net non-operating expense	\$ (946,245)	\$ (2,395,319)	\$ (3,293,015)
NET INCOME (LOSS) BEFORE PFC REVENUE	\$ 5,562,188	\$ 8,206,554	\$ 3,248,176
PASSENGER FACILITY CHARGE REVENUE	\$ 4,907,458	\$ 10,985,445	\$ 8,808,117
NET INCOME	\$ 10,469,646	\$ 19,191,999	\$ 12,056,293

The Operating Revenues can be categorized as Airline Revenues and Non-Airline Revenues. Airline Revenues are comprised of landing fees, terminal building rent, apron and remote aircraft parking. Airline Revenues accounted for 45.5%, 38.0% and 37.7% of the Airport's Total Operating Revenue for the fiscal years ended June 30, 2003, 2002 and 2001, respectively. Non-Airline Revenues are those revenues generated from concessions such as rental cars, restaurants, the hotel, fixed base operations, land and building rentals, auto parking lots and other miscellaneous Operating Revenue activities.

Airline Revenues have increased 57.7% during the five-year period ending June 30, 2003. The increase in Airline Revenue is a direct function of increased operating expenses and debt service because the Airport uses a compensatory rate setting methodology. In a compensatory rate model, airport operating expenses are allocated to airline cost centers, which forms the basis for airline rates and charges at the airport. The increase in expenditures allocated to and recovered from the airlines can largely be attributed to the events of September 11, 2001 and undertaking the Terminal Improvement Project. Even with this increase, Airline revenues for the year ended June 30, 2003 equated to a very competitive \$6.45 per enplaned passenger.

Non-Airline Revenues have increased 6.1% during the five-year period ending June 30, 2003. Non-Airline Revenues are paid to the Airport in accordance with the terms and conditions of various lease and concession agreements. The most significant source of Non-Airline revenue is auto parking. The Parking Lease was entered into as of March 1, 2000 and the Parking Garage was completed in September 2001. Auto parking revenues received for the years ended June 30, 2001, 2002 and 2003 represent the minimum guarantee due the State under the Parking Lease. The second greatest source of Non-Airline revenue is rental cars. The rental car companies paid a percent of gross revenues on a sliding scale with 10% as the maximum through November 1999, at which time a fixed 10% applied to all gross revenues. This structure, and increasing traffic, resulted in revenue gains through the year ended June 30, 2001. However, revenues have declined since then. Terminal Concessions, the third greatest source of Non-Airline Revenue, consist of master restaurant and retail concession agreements, advertising, and other concessions operated within the terminal. The restaurant, retail and advertising concessions were all re-bid or amended as part of the Terminal Improvement Program. In some cases, revenue gains are being experienced, and in others, revenue declines are resulting from expiration of favorable minimum guarantees included in prior agreements. Significant improvements in facilities and services have been attained with the new concession program.

As discussed in "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS - Revenues," the State has entered into the Parking Lease relating to the Parking Garage. The Parking Operator is responsible for all of the Surface Parking and Parking Garage operating expenses, debt service on the Parking Garage Bonds, and capital improvements over the remaining term of the Parking Lease. The Parking Lease requires that the Parking Operator pay the State Minimum Guarantee Payment to the State on a monthly basis. The annual State Minimum Guarantee Payment ranges from approximately \$8.2 million in the first full year of the Parking Lease to approximately \$13.2 million in the last full year of the Parking Lease. The State Minimum Guarantee Payment is guaranteed by APCOA/Standard Parking, Inc. Additional payments to the Airport and the Parking Operator, at the end of each Parking Lease year and after Airport acceptance of the annual independent audit of parking revenues and expenses, are as follows: (i) the first \$1 million of surplus moneys are paid to the Parking Operator; (ii) the

next \$2 million is split 50/50 between the Airport and the Parking Operator; and (iii) any remaining surplus balance is distributed 85% to the Airport and 15% to the Parking Operator. The State Minimum Guarantee Payment for the Airport's fiscal year ending June 30, 2004 is \$8,877,128 and is the amount budgeted for that fiscal year.

As a result of the events of September 11, 2001, new security procedures were implemented that affected operation of the Parking Garage and Surface Parking. These procedures initially involved closure of parking spaces located within 300 feet of a passenger terminal. The impacted spaces were later permitted to open provided that the vehicles using those spaces were searched. The requirement to search vehicles was ultimately lifted due to the installation of a vehicle height restriction device for vehicles using the Parking Garage spaces located within 300 feet of the terminal. This history, coupled with the restriction that ticketed passengers only may pass through security checkpoints, negatively affected utilization of and the revenues generated from the Parking Garage and Surface Parking. Other factors affecting utilization and revenues are the downturn in the overall economy and competition from off-Airport parking operators. Consequently, to date such revenues have not been sufficient to fully fund the State Minimum Guarantee Payment, after payment of operating expenses and debt service in accordance with the provisions of the Parking Lease and the trust indenture securing the Parking Garage Bonds. Under the terms of the Parking Lease and the Parking Guaranty, APCOA is required to fund such revenue shortfall through guarantor payments. From commencement of the Parking Lease through April 15, 2004, APCOA has paid a total of \$6,711,493.08 in guarantor payments. The Parking Lease also provides for the repayment with interest of such guarantor payments from future parking revenues, if available, after payment of operating expenses, debt service and the State Minimum Guarantee Payment. As of April 15, 2004, a total of \$977,735.07 in principal of guarantor payments has been repaid to APCOA from parking revenues. The State and APCOA continue to work closely together to address the operation and economics of the Parking Garage and Surface Parking.

The Airport's Total Operating Expenses increased from \$29.8 to \$44.2 million during the five-year period ended June 30, 2003 (48.1% or \$14.4 million). Total Operating Expenses include Salaries and Related Expense, Contractual Services, Depreciation and Amortization, Energy and Utilities and Other Operating Expense. A comparative summary of expenditure increases is provided below. Expenditure increases are primarily attributed to increased security resulting from the events of September 11, 2001 and the opening of the new terminal and concourse and additional facilities, which resulted in increased expenditures for contractual services, depreciation and amortization, energy and utilities.

<b>Operating Expenses</b>	1999	2003	\$ Increase	% Increase	% of Increase
Salaries and Related	\$ 9,423,944	\$ 11,606,779	\$ 2,182,835	23.2%	15.2%
Contractual Services	8,999,508	14,505,820	5,506,312	61.2%	38.4%
Depreciation and Amortization	8,564,994	12,913,244	4,348,250	50.8%	30.3%
Energy and Utilities	1,849,479	3,319,587	1,470,108	79.5%	10.2%
Other Operating	979,782	1,821,746	841,964	85.9%	5.9%
<b>Total</b>	<b>\$ 29,817,707</b>	<b>\$ 44,167,176</b>	<b>\$ 14,349,469</b>	<b>48.1%</b>	<b>100.0%</b>

Salaries and Related expenses increased from \$9.4 to \$11.6 million from 1999 to 2003. This represents an increase of 23.2% or \$2.2 million (an average annual rate of 5.3%). Salaries and Related expenses reflect the costs associated with all authorized State positions at the Airport. Wage increases are governed by various collective bargaining agreements and include

cost of living and annual salary increases. The fringe benefit costs are developed using rates that have been developed by the State of Connecticut, Comptroller's Office. The fringe benefits were approximately 44.0 % of salaries in 1999 and 50.6% in 2003. The amount of overtime generally increases depending on the severity of the winter season. Regular overtime is managed carefully with vacancies responsible for the majority of the overtime incurred. Personal Services for the fiscal year ending June 30, 2005 is budgeted at \$13.6 million or 1% above the prior year's budgeted amount. This reflects reduced overtime due to filling of vacancies. Budgets are based on full staffing with salaries reflecting collective bargaining increases.

Contractual Services expenses increased from \$9.0 to \$14.5 million from 1999 to 2003. This represents an increase of 61.2% or \$5.5 million. Approximately 70% of this increase (\$3.8 million) is attributed to increased post-2001 security expenditures. In addition to security services, Contractual Services include payments in lieu of taxes made to surrounding municipalities ("PILOT Payments"), and all other contracted services required at the Airport including janitorial, window and carpet cleaning, glycol recovery, rental of snow equipment, insurance, marketing consultants, advertising and air service, taxi cab starters and trash pickup. Contractual Services for the fiscal year ended June 30, 2003 totaled \$14.5 million with \$7.4 million (51%) for security services, \$2.0 million (14%) for PILOT Payments and \$5 million (35%) on all other contractual services. Contractual Services for the fiscal year ending June 30, 2005 are budgeted at \$14.3 million, virtually the same level as the prior year's budgeted amount. The increase reflects significant savings attained through contracting a portion of security services to private firms offset by additional contract cleaning and maintenance services associated with the opening of the new terminal.

Depreciation and Amortization increased from \$8.6 to \$12.9 million from 1999 to 2003. This represents an increase of 50.8% or \$4.3 million. The increase in depreciation and amortization is due to increases in Airport assets, including the Terminal Improvement Program.

Energy / Utility expenses increased from \$1.8 to \$3.3 million from 1999 to 2003. This represents an increase of 79.5% or \$1.5 million. Energy / Utility expenses have experienced fairly significant increases in recent years due to the expansion of the terminal facilities and the completion of the Airport's new Co-Generation Plant. The new natural gas powered plant provides electric, heating and cooling for the Unified Terminal Complex.

Other Operating expenses increased from \$1.0 to \$1.8 million from 1999 to 2003. This represents an increase of 86% or \$0.8 million. Other Operating expenses include the various commodities used in the operation of the Airport, bad debt and other expenses. The primary areas of increase include commodities such as cleaning supplies, electrical supplies, gas and diesel fuel, snow removal materials and bad debt.

### **Change in Concessions**

The Airport's master food and beverage concession agreement was held by Host of Hartford ("Host") from April 1, 1984 through March 31, 2004. This agreement granted Host the right to sell food and beverages within the terminal and required Host to pay the State 20% of gross receipts from the sale of alcoholic beverages, 12% of gross receipts from the sale of food and all other items and services, and 5% of gross receipts from airline and airport employee sales, who received a 25% discount. The agreement included a minimum annual guarantee to the State, plus 50% of operating profits (if any). The minimum annual guarantee averaged

approximately \$2.3 million annually for the Airport for the final four years of the contract. While the payment terms of the contract benefited the Airport, they also resulted in less than optimal levels of customer service in terms of facilities and operations. Accordingly, as part of the Terminal Improvement Program, the State solicited new proposals for master food and beverage services within the terminal complex. Leigh Fisher Associates, as airport consultant, assisted in the solicitation and negotiation process. The master food and beverage concessionaire selected through this process is the McDonalds Corporation (“McDonalds”). The McDonalds contract was effective April 1, 2003. McDonalds commenced providing food and beverage concession services in the Unified Terminal Complex when it opened in April 2003, and took over the existing Host locations in the Murphy Terminal Complex when the Host agreement expired on March 31, 2004. The payment terms of the McDonalds contract include 14.75% of gross receipts from the sale of alcoholic beverages, 12.75% of gross receipts from the sale of food and all other items and services, and 2.75% of gross receipts from airline and airport employee sales, who receive a 10% discount. The minimum annual guarantee, effective 180 days after the State delivers all concession locations to McDonalds for its build-out, is \$701,000 for the first year, \$1,010,000 for the second year and then escalates to 80% of the prior year’s total rent for the remainder of the ten-year agreement.

In addition to the food and beverage contract, the State also amended and extended the master retail concession agreement with Paradies. The amendment provided for the construction of new retail locations, extended the term, increased the minimum guarantee and adjusted the percent of gross receipts payments based on new product categories.

As of February 2004, terminal concession sales per passenger (fiscal year to date) are 16.4% greater than the prior period, with additional locations still to be added to the program.

### **Part 150 Study**

The Airport is in the process of completing a noise compatibility study undertaken pursuant to guidelines published in Part 150 of the Federal Aviation Regulations. The consultant undertaking this study is HNTB Corporation. The purpose of the study is to identify noise sensitive areas surrounding the Airport and develop a plan to minimize noise impacts for those areas. The plan was completed and initially submitted to FAA in the winter of 2003. On April 21, 2004, FAA approved the noise exposure maps developed as part of the plan and it is required to issue its decision on the proposed noise compatibility program by October 18, 2004. The proposed program includes various recommendations related to land use and zoning, establishment of a Noise Abatement Officer position for the Airport, installation of noise monitoring equipment, formation of a committee to continue to address noise related concerns, revisions to flight tracks where possible to avoid noise sensitive areas and implementation of a noise abatement aircraft departure profile. Approval of the plan by FAA will make the Airport eligible for certain federal funds to implement the recommendations.

### **Airport Security**

The Airport is in full compliance with all applicable security procedures mandated by the Transportation Security Administration (“TSA”). A 2003 TSA survey rated the Airport as the top airport in the country for passenger satisfaction (with a 95% customer satisfaction rate) in relation to their security experience while traveling through an airport.



## **Airport Insurance**

The State's Office of the Insurance and Risk Management Board procures insurance on behalf of the Airport. All insurance is purchased through the State's agent of record. Each year the Bureau of Aviation and Ports submits updated statistical information to the Board and coverage is obtained on a competitive bid basis.

The State retains a blanket policy for property insurance that covers fire and extended coverage for all State facilities. The policy has a \$250,000 aggregate deductible per occurrence, for which each State agency is responsible. The Airport obtains (through the Insurance and Risk Management Board) an Airport Owners and Operators General Liability Policy each year. Coverage under this policy includes bodily injury, property damage, personal injury and medical malpractice up to \$100,000,000 for each occurrence and in the aggregate. War and terrorism are excluded. There is a \$100,000 deductible per occurrence and in the aggregate for this policy.

The State self-insures for physical damage to vehicles, with an exception for those vehicles that are valued over \$100,000. The Airport participates in an optional policy for these vehicles that offers comprehensive and collision coverage. This coverage is subject to a \$2,500 deductible. State owned or leased vehicles assigned to the Airport are covered by a policy for liability coverage. This policy has a \$16,000,000 combined limit of liability in excess of \$4,000,000 self-insured retention.

In addition to the airport liability and the state automobile liability coverage, the Airport retains a policy for Malpractice Liability. Coverage under this policy includes the paramedics assigned to the Fire/Crash Unit working at the Airport. The amount of coverage for the malpractice liability is \$16,000,000 for each occurrence in excess of \$4,000,000 self-insured retention.

The Airport also carries business interruption coverage. Business interruption coverage is subject to a \$65,000,000 limit and a \$250,000 deductible per occurrence.

## **PFC Program**

Although PFC Revenues are not available to pay debt service on the Bonds, a portion of the debt service on the Series 2001A Bonds is expected to be paid from PFC Revenues.

The United States Congress enacted the Aviation Safety and Capacity Expansion Act of 1990, as amended from time to time (the "PFC Act") in 1990. The PFC Act allows a public agency, such as the State, which controls a commercial service airport to charge each paying passenger enplaning at the airport (subject to limited exceptions) a passenger facility charge of \$1.00, \$2.00, \$3.00, 4.00 or \$4.50 (the "PFC"). The purpose of the PFC Act is to provide additional capital funding for the expansion of the national airport system. The proceeds from PFCs are to be used to finance eligible airport-related projects that preserve or enhance safety, capacity or security of the national air transportation system; reduce noise from an airport that is part of such system; or furnish opportunities for enhanced competition between or among air carriers. Before imposing and using PFCs, a public agency must apply to the Federal Aviation Administration ("FAA") for approval. PFCs are collected on behalf of airports by air carriers and their agents (the "Collecting Carriers").

The duration of a public agency's authority to impose PFCs is governed by the regulations issued under the PFC Act (the "PFC Regulations"). The duration of authority to impose a PFC after project implementation extends until (i) the charge expiration date is reached, (ii) PFCs collected and interest thereon equals the allowable cost of the approved project, (iii) the FAA terminates the authority to collect PFCs if it determines that the PFCs are not being used for the approved project in accordance with the terms of the PFC Act, the PFC Regulations and the FAA approval (which approved project includes debt service or costs attributable to an approved project), or (iv) the FAA determines that the public agency is violating noise and access requirements under the Airport Noise and Capacity Act of 1990, as amended (the "Noise Act").

The PFC Regulations require that the FAA undertake informal resolution of a PFC termination if the FAA cannot determine that PFC revenue is being used for approved projects in accordance with the PFC Act, the PFC Regulations and the FAA approval. Termination proceedings begin only after the FAA determines that informal resolution is not successful. A notice of proposed termination is published in the Federal Register. This notice contains the scope of the proposed termination, the basis for such action, and the date for filing comments. The due date for comments and corrective action is not less than 60 days after publication of the notice.

If corrective action has not been taken, the FAA holds a public hearing giving notice and publication in the Federal Register at least 30 days prior to the hearing. The FAA then publishes its final decision in the Federal Register. This decision may contain additional corrective action that the public agency may yet take. Within 10 days of the date of publication of the notice, the public agency must either advise the FAA that it will complete any corrective action prescribed or provide the FAA with a list of air carriers operating at the Airport and all other carriers that have remitted PFC revenue to the public agency within the preceding 12 months. When the FAA's notice does not provide for corrective action or the public agency fails to complete such action, the FAA notifies each air carrier. Those carriers then terminate collections no later than 30 days after the date of notification by the FAA.

The PFC Regulations require the Collecting Carriers to remit PFC collections, net of a collection fee of \$.08 per PFC remitted, to the State no later than the last day of the calendar month following the month in which the PFC collections are recorded in the Collecting Carriers' accounting system. The Collecting Carriers are allowed to retain the interest earned on the PFC collections during this "hold" period.

### **Airport PFC Approvals**

The Airport began imposing Passenger Facility Charges at the rate of \$3.00 per eligible enplaned passenger on October 1, 1993. On May 1, 2001, the PFC was increased to \$4.50 per passenger for the Series 2001 A Terminal Improvement Program. Charges were effective for the appropriate periods to collect for the projects listed below:

**Bradley International Airport  
Passenger Facility Charge Collection Authority**

<u>Completed Projects</u>	<u>Authorized</u>
Glycol Collection Facility	\$ 16,659,913
Maintenance Facility	6,257,923
Taxiways	5,443,000
Snow Removal Equipment	5,112,862
Roadway Improvements	3,073,000
Aircraft Ramps	2,090,000
Aircraft Rescue / Fire Fighting Vehicle	1,102,000
Obstruction Lights	716,000
Fire Station	360,000
Security Fencing	335,000
Surface Monitoring System	45,914
Sub-Total (Completed Projects)	<u>\$ 41,195,612</u>
<u>On-Going Project Collections</u>	
Series 2001A Terminal Improvement Program	\$ 231,947,428
Security Improvements & Training System	3,050,000
Sub-Total (On-Going Projects)	<u>\$ 234,997,428</u>
<b>Total Collection Authority</b>	<b><u>\$ 276,193,040</u></b>

Pursuant to the Indenture, all PFC revenues are initially deposited to the PFC Coverage Account in each fiscal year until an amount has been deposited therein equal to 125% of the PFC component of the Debt Service Requirements for the current fiscal year on the Series 2001A Bonds. Thereafter, PFC revenues are deposited to the PFC Escrow Account. Amounts on deposit in the PFC Coverage Account are transferred to the Bond Service Account to pay the PFC component of the Series 2001A Bonds. Amounts on deposit in the PFC Escrow Account may be used to pay allowable costs of approved PFC projects, to pay the PFC component of the Series 2001A Bonds or for any other lawful purpose.

As of January 31, 2004, total PFC revenue received by the Airport from commencement of collections (including PFC interest) is \$82,787,814. The PFC Coverage Account is fully funded for fiscal year 2004 debt service and the balance of funds in the PFC Escrow Account is \$26,376,079.

**Master Plan**

The Airport Master Plan was last completed in 1993 by Thompson Consultants International in association with Maguire Group Connecticut, Inc. That plan called for the staged development of additional terminal capacity, incremental upgrading of on-airport parking, construction of a remote deicing area and additional operational improvements to the Airport. The Terminal Improvement Program presently underway at the Airport addresses the initial staged development of additional terminal capacity. In addition, with the completion in 2001 of

the Parking Garage, a total of 7,690 public and employee parking spaces are available at the Airport. The remote deicing area has also been constructed. A new fire station and a new FAA control tower were constructed on the north side of the Airport. The Airport crash, rescue, and maintenance equipment have also been upgraded, and a new maintenance facility constructed.

The 1993 Airport Master Plan is presently being updated and will be replaced by a plan being prepared by Parsons, Brinckerhoffer, Quade & Douglas, Inc. The Master Plan Update is being conducted in two phases. The first phase involved gathering data, preparing the inventory of all facilities and improvements at the Airport, and preparing Airport demand forecasts. The first phase was completed in the spring of 2001.

In the second phase of the current Master Plan Update, the Airport demand forecasts were revised to reflect the events of September 11, 2001. The second phase also involves demand/capacity analyses and the development of resulting facility requirements. These analyses including facility requirements were completed in February 2004. The Master Plan Update is presently in the final stages of completion, including analysis of alternatives and development of a selected final plan to satisfy the facility requirements. The State expects the Master Plan Update to be completed in the fall of 2004, including approval by the Airport's Board of Directors. Some of the major areas of potential development include:

- Continued staged development of additional terminal capacity;
- Airport access and vehicle parking associated with further terminal expansion;
- Consolidation of rental car facilities;
- Air Cargo and supporting infrastructure development;
- Major maintenance projects such as runway reconstruction; and
- Initiation of a pre-permitting process for major improvements.

Any developments at the Airport pursuant to the Master Plan Update are expected to be funded from Revenues of the Airport, including PFC Revenues, and are not expected to require the issuance of Additional Bonds.

## **STATE OF CONNECTICUT DEPARTMENT OF TRANSPORTATION**

### **The State Transportation System**

The State's transportation system includes the Airport and five State-owned general aviation airports; approximately 20,600 miles of improved roads (of which approximately 3,732 miles are maintained by the Department of Transportation) and 5,435 state and local bridges; rail commuter service between New Haven and New York City and related points, provided by Metro-North Commuter Railroad Company which operates 250 trains daily; Shoreline East Rail Commuter Service between New London and New Haven which operates 18 trains daily; publicly and privately owned bus systems which operate 1,096 vehicles; two ferry services; and the State Pier in New London.

### **Department of Transportation - Organization and Responsibilities**

The Connecticut Department of Transportation ("DOT") was established in 1969 and replaced the Connecticut Highway Department. DOT's major responsibility is to provide transportation services and facilities to meet the State's mobility needs. DOT is headed by a Commissioner appointed by and directly responsible to the Governor.

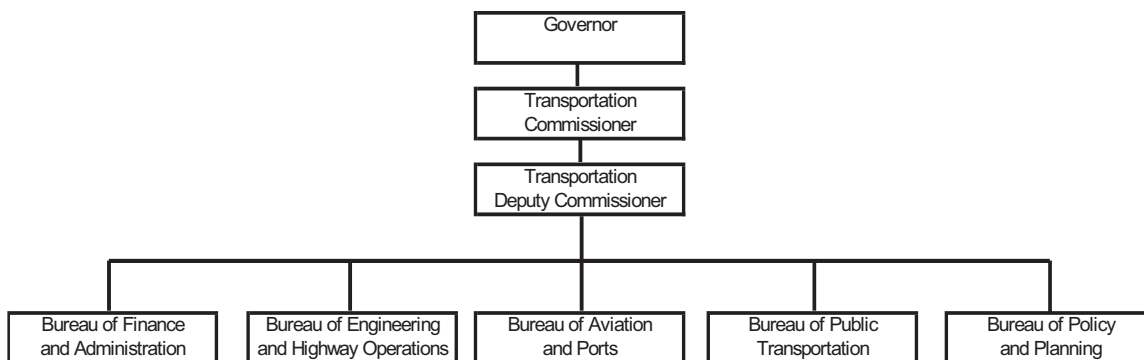
The Commissioner exercises direct supervision of all DOT activities. As head of DOT, the Commissioner acts as the executive officer of the Governor for achieving the purposes, and supervising the activities, of DOT. The Commissioner, in order to provide economy and efficiency, may organize DOT and any agency therein into such divisions, bureaus or other units as necessary and may from time to time abolish, transfer or consolidate such divisions, bureaus or other units within DOT. The Commissioner's duties include, but are not limited to, coordinating and developing comprehensive, integrated transportation policy and planning; coordinating and assisting in the development and operation of a modern, safe, efficient, and energy-conserving system of highway, mass transit, marine and aviation facilities and services; studying means of improving transportation safety and formulating and implementing plans for this purpose; studying the operations of existing airports to determine the need for changes in such airports; formulating and implementing plans and programs to improve aviation facilities and services; and cooperating with federal, State, interstate, and local agencies, organizations, and persons performing activities relating to transportation.

Mr. Stephen E. Korta, II was appointed Commissioner of Transportation effective April 1, 2004. Immediately prior to his appointment, Mr. Korta served as the Airport Administrator at the Airport. An accredited member of the American Association of Airport Executives, Mr. Korta was the manager in charge of all aspects of the Airport's daily operations and led the Airport community in addressing the challenges associated with operational and security issues immediately following the terrorist events of September 11, 2001. The Airport's new terminal was subsequently completed and commenced operation in April of 2003. Mr. Korta served as the Director of Leasing Revenue and Concessions for the Bureau of Aviation and Ports, with responsibility for managing contractual matters at all six State airports, from 1997 until he assumed his role at the Airport in 1998. In 1994 Mr. Korta was appointed Chairman of the Bradley International Airport Commission, a position he held until 1997. Prior to joining the Bureau of Aviation and Ports, Mr. Korta was President and CEO of a privately held company providing extensive management services to governmental entities. Mr. Korta holds a Bachelor



of Science degree and is a cum laude graduate of the Boston College School of Management Honors Program. He is also a licensed pilot.

Mr. James A. Adams was appointed Deputy Transportation Commissioner of DOT on August 15, 1997 and previous to that served as Deputy Commissioner of the Bureau of Engineering and Highway Operations. Prior to joining DOT, Mr. Adams served in various executive positions in the heavy and highway construction industry and the building construction industry. Through his career in the private sector, Mr. Adams has been responsible for the construction of public projects, including State and Federal Highway and Bridge projects and State building projects. Serving as Executive Vice President of a major construction firm, he led a staff of over 300 employees in the successful completion of these projects. Since joining the Department, Mr. Adams has played a critical role in the administration, planning and construction of the Parking Garage and the Terminal Improvement Project. As Deputy Commissioner of Transportation he is responsible for the operation of its five bureaus including Engineering and Highway Operations, Finance and Administration, Policy and Planning, Public Transportation and Aviation and Ports.



### **Bradley Board of Directors**

The Airport is operated by DOT through its Bureau of Aviation and Ports with independent direction and oversight provided through the Airport’s Board of Directors. The Bradley International Airport Board of Directors (the “Board”) was established by the Connecticut State Legislature under Public Act No. 01-05 for House Bill 7506 effective July 1, 2001. The Board was established to oversee the operation and development of the Airport. The Board consists of seven members including the Commissioners of the Department of Transportation and the Department of Economic and Community Development. The remaining five members are appointed by the speaker of the House of Representatives, the minority leader of the House, the Governor, the president pro tempore of the Senate and the minority leader of the Senate. These appointments are to include a member of the Connecticut Transportation Strategy Board, a member from the Bradley Community Advisory Board and three members from the private sector. The act requires that all appointed members be senior business leaders or executives who have management experience with corporate or institutional organizations and have experience or expertise in financial planning, budgeting and assessment, marketing, master planning, strategic planning and/or transportation management.

The current members of the Board are the following:

<u>Name</u>	<u>Position</u>
L. Scott Frantz, Chairman	Haebler Capital
Stephen E. Korta	Commissioner, DOT
James Abromaitis	Commissioner, Department of Economic and Community Development
Michael T. Long	Ensign Bickford Industries
Richard Crane	First Selectman, Town of Woodbury
R. Nelson "Oz" Griebel	Metro Hartford Regional Economic Alliance
David Kilbon	First Selectman, Town of East Granby

The duties and authorities granted to the Board in the act are as follows:

- To develop an organizational and management structure that will best accomplish the goals of the Airport;
- Approve annual capital and operating budgets;
- Act in cooperation with the Transportation Strategy Board;
- Advocate for the Airport's interests and ensure that the Airport's potential as an economic development resource for the state and region are fully realized;
- Ensure that an appropriate mission statement and set of strategic goals for the Airport are established and that progress toward accomplishing the mission and strategic goals is regularly assessed;
- Approve the Airport Master Plan;
- Establish marketing plans and determine the best use of Airport property;
- Ensure independent expertise is available to the Board in areas of strategy and marketing;
- Ensure customer service standards, performance targets and performance assessment systems are established for the Airport enterprise;
- Approve community relations policies;
- Create a code of conduct for the Board;
- Report to the Governor and General Assembly on an annual basis;
- Establish procedures to review significant contracts; and
- Adopt rules for the conduct of its business.

The Board adopted a resolution on April 15, 2004 endorsing the issuance of the Bonds and the refunding of the Prior Bonds.

### **Bureau of Aviation and Ports**

The Bureau of Aviation and Ports is responsible to the Board and the Deputy Transportation Commissioner for the operation and management of the Airport. Heading the Bureau is Deputy Commissioner Louis S. Cutillo.

Mr. Louis S. Cutillo was appointed to the position of Deputy Commissioner of the Bureau of Aviation and Ports in January 1999. From October 1997 to January 1999, Mr. Cutillo served as Executive Assistant to the Commissioner of the Connecticut Department of Information Technology. For the previous 17 years, Mr. Cutillo was self-employed as a government consultant and legislative liaison for a variety of diversified clients active in the Connecticut business community. Prior to that, he served for 14 years as a member of the Connecticut Legislature, holding leadership positions in both the Senate and the House of Representatives. For 14 consecutive years he was chairman, ranking member or member of the Legislature's Finance Committee.

The Bureau is organized into five departments including Fiscal and Administrative Services, Bradley Terminal Program, Bradley Airport Administration, Transportation Aviation Administrator and Aviation Counsel.

Fiscal and Administrative Services manages and controls the financial interests and activities of the Bureau including the Airport, the General Aviation Airports and Port and Ferry operations. This department provides the full range of accounting and financial management services including budgeting, purchasing and accounts payable, billing and accounts receivable, financial reporting and capital projects administration. It also manages the flow of funds under general airport revenue bond and special facility revenue bond issues. Mark T. Daley serves as Chief of Fiscal and Administrative Services for the Bureau.

The Project Director for the Bradley Terminal Program manages all aspects of design, engineering and construction of the Terminal Improvement Program funded through the Series 2001A Bonds. These responsibilities include general oversight of the Construction Manager and contractors on the project and liaison with other DOT Bureaus involved in the project, the airlines and consultants. W. David Gilbert is the Project Director for the Bradley Terminal Program.

The Bradley Airport Administrator is responsible for the management and operation of the Airport including airport security and operations, building and grounds maintenance, aircraft rescue and fire fighting and public relations. The State is in the process of making a permanent appointment to the position of the Bradley Airport Administrator.

With the appointment of Stephen E. Korta to Commissioner of DOT, Mr. Barry J. Pallanck was named Bradley Airport Administrator (Acting) on April 1, 2004. He is the manager in charge at the Airport. He is responsible for the day-to-day management of all aspects of the Airport's operations including overall airport operations; maintenance of runways, taxiways, ground aircraft directional signal systems and signing, terminals, parking facilities;

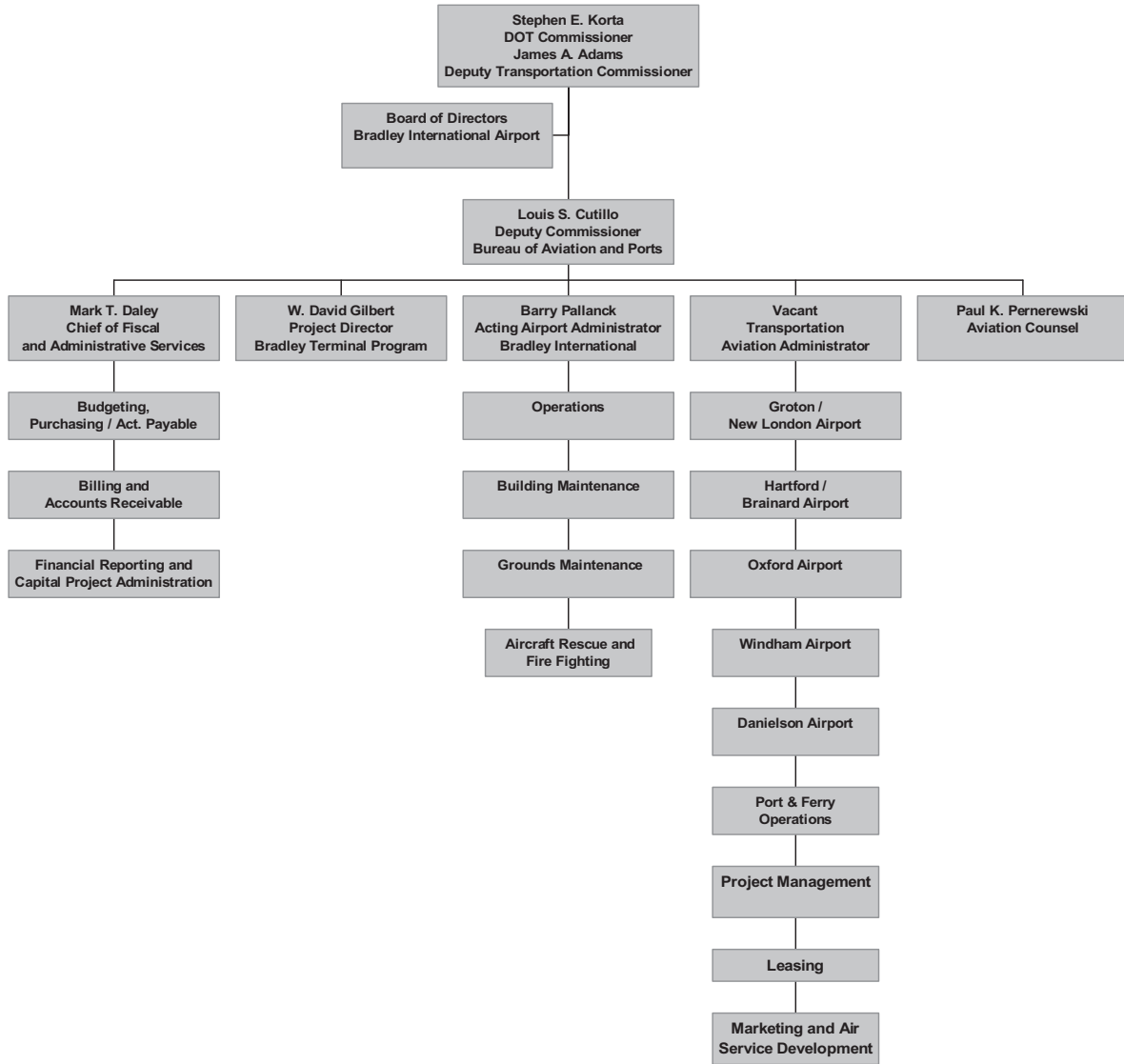
Airport security; fire and rescue personnel and services; enforcement of all tenant and service provider contract terms and provisions; and directs special services, i.e. presidential visits, visits by dignitaries, and other special operations. Mr. Pallanck is a member of the American Association of Airport Executives and he is presently working towards designation as an Accredited Airport Executive. Immediately prior to his appointment, Mr. Pallanck had served as the Assistant Airport Administrator since July 31, 1998, where he supported the Airport Administrator in all of the responsibilities described above. Between 1985 and 1998, Mr. Pallanck managed all of the other state-owned airports in Connecticut, with his principal assignment being at Brainard Airport in Hartford. Mr. Pallanck has spent his entire 19-year professional career with the Bureau of Aviation and Ports at DOT. He holds an Air Transportation Management degree from the University of New Haven and he also holds a commercial pilot's license.

The Transportation Aviation Administrator oversees operation of the general aviation airports and port and ferry operations. The Leasing, Marketing and Air Service Development, and Project Management units providing services for all Bureau facilities also function within this office. The Aviation Administrator also assists the Deputy Commissioner in managing the Bureau and acts on his behalf in his absence. This position is currently vacant.

The Office of Aviation Counsel provides legal representation for the Bureau and serves as liaison with the office of the State Attorney General. Assistant Attorney General Paul K. Pernerewski is the Bureau's Aviation Counsel.

The Bureau organization in fiscal year 2004 includes 123 authorized staff positions funded by the Bradley International Airport Enterprise Fund. As of March 15, 2004, 14 positions were vacant due to an early retirement incentive program offered by the State in fiscal year 2003. These vacancies are authorized positions in the process of being filled. The vacant positions include one in Fiscal and Administrative Services, four in Bradley Airport Administration, four in Operations, two in Building Maintenance and one in each of the following units: Grounds Maintenance; Aircraft Rescue and Fire Fighting; and Marketing and Development. Below is the organizational chart for the Airport:

**Department of Transportation - Bureau of Aviation and Ports**



**DEVELOPMENTS AFFECTING THE AIR TRANSPORTATION SYSTEM**

**Significant Events**

Since the economic deregulation of the airline industry in 1978, the industry has undergone significant changes including a number of airline mergers, acquisitions, bankruptcies and dissolutions. In addition, the financial results of the airline industry have been subject to substantial volatility since deregulation. For example, the airline industry experienced significant financial losses from 1990 to 1994 before becoming generally profitable from 1995 to 2000. The Airline Trade Association (the “ATA”) reported that domestic airlines posted net profits of \$5.3 billion in 1999, net profits of \$2.6 billion in 2000 and net losses in excess of \$1 billion in the first half of 2001. In line with this downward trend, even prior to the events of September 11, 2001, the domestic airline industry was predicting losses of approximately



\$2.5 billion in 2001 attributable to the slowing U.S. economy and a decrease in business travel. As a result of the events of September 11, 2001, and the further weakening of the economy, the ATA reported that domestic airline industry losses were in excess of \$8 billion for 2001 and \$11 billion for 2002. Following September 11, 2001, the long-term credit ratings of many domestic airlines were downgraded, and all domestic airlines were placed on credit review lists maintained by national credit rating agencies. See “CERTAIN INVESTMENT CONSIDERATIONS.”

The continued threat of terrorist acts and related subsequent security cost increases, the severe acute respiratory syndrome (“SARS”) epidemic, rising fuel costs and the war and continuing military action in Iraq, all in combination with the general economic downturn, continue to have a significant adverse effect on the airline industry. Most major domestic airlines, including those providing service at the Airport, have reduced flight schedules as a result of reduced passenger demand and have reduced operating expenses, primarily labor costs, in an attempt to stem mounting financial losses.

The State cannot predict the likelihood of future terrorist attacks or the effect on the air transportation system if there are more terrorist attacks or continued, increased or new hostilities. Similarly, the State cannot predict the duration or extent of the reduction in air travel or the extent of the impact on Revenues or the financial condition of the Airport or any of the airlines operating at the Airport as a result of the significant events described above, including the potential that these events may cause any of the airlines to seek bankruptcy protection.

During the past few years, several airlines filed for bankruptcy protection due, in part, to the events described in this section. Notwithstanding the enactment of the Air Transportation Safety and System Stabilization Act and additional federal aid for the airline industry (described below under “Federal Legislation”), it is possible that additional passenger or all-cargo air carriers, including one or more of the Signatory Airlines, will file for protection under federal bankruptcy laws. For further information regarding the financial condition and effect on operations of the airlines, including further information regarding the airlines’ reported load and capacity factors since September 11, 2001, potential investors should refer to the statements and reports filed periodically by the airlines with the Securities and Exchange Commission. See “CERTAIN INVESTMENT CONSIDERATIONS – Additional Information.”

## **Federal Legislation**

On September 21, 2001, the Air Transportation Safety and System Stabilization Act (the “Stabilization Act”) was enacted into law. The Stabilization Act provided among other things, for (i) \$5 billion in payments to compensate domestic airlines for losses incurred as a result of the September 11, 2001 terrorist attacks, (ii) \$10 billion in federal loan guarantees to domestic airlines, subject to certain conditions and fees, including the potential requirement that the federal government be issued warrants or other equity instruments in connection with such loan guarantees (approximately \$4.6 billion of such loan guarantees were actually issued as of October 10, 2003 to 427 air carriers), (iii) limitations on air carrier officer and employee compensation if the air carrier receives federal loan guarantees, (iv) reimbursement to domestic airlines by the federal government of certain increased insurance costs for the operation of aircraft incurred by the airlines, (v) deferral of the payment by domestic airlines of certain taxes and (vi) limitations of liability for domestic airlines. The Stabilization Act also established a federal victims compensation fund and claims procedure relating to the events of September 11,

2001, and at the discretion of the Secretary of Transportation, limitations of liability for U.S. air carriers for acts of terrorism committed during a 180-day period following enactment of the Stabilization Act.

On April 16, 2003, President Bush signed an aid package for the airline industry totaling more than \$3 billion, as part of a larger Iraqi war spending bill. The aid package included, among other items, reimbursement for certain airline security costs and a suspension of the \$2.50 passenger security fee for the four-month period from June 1, 2003 through September 30, 2003. All funding under Congressional enactments may be dependent upon additional Congressional appropriation bills.

Such financial assistance does not eliminate the risk that continuing losses could force additional airlines to retrench, seek bankruptcy protection, discontinue marginal operations or liquidate.

### **Airport Security**

As a result of the September 11, 2001 terrorist attacks, the Federal Aviation and Transportation Security Act (“ATSA”) was enacted on November 19, 2001. This legislation makes airport security the responsibility of the newly created Transportation Security Administration (the “TSA”). The TSA was originally made an administrative agency of the United States Department of Transportation, but was subsequently made an administrative agency within the United States Department of Homeland Security in the Homeland Security Act of 2002. Provisions of the ATSA and subsequent directives issued by the newly-formed agency called for, among other things, stronger cockpit doors on commercial aircraft, an increased presence of armed federal marshals on commercial flights, establishment of 100% checked bag screening, and replacement of all passenger and baggage screeners with federal employees, who must undergo criminal history background checks and be U.S. citizens. Not later than 2005, some airports that meet increased security guidelines may have the option to continue using federal employees or return to private security companies for passenger and baggage screening. Airports may now use state or local law enforcement personnel and airport employees to provide security services not related to passenger or baggage screening. Under ATSA, the federal government will pay for the new federal security screening services by charging passengers a security service fee of \$2.50 per departure or connection, not to exceed \$5.00 per one-way trip, which is collected by air carriers and remitted to the federal government. To the extent that such fees are deemed to be insufficient by the TSA, ATSA also authorizes the imposition of an Aviation Security Infrastructure Fee on air carriers not to exceed, for Fiscal Years 2002, 2003, and 2004, the amount paid by those air carriers in calendar year 2000 for screening of passengers and property and for Fiscal Year 2005 and thereafter, amounts that may be determined based upon market share or other appropriate measure (not to exceed in the aggregate the amounts paid in calendar year 2000 by the air carriers for screening of passengers and property).

ATSA also mandates that certain security measures be undertaken at airports, including the Airport. Among other things, the following security measures are required: (i) screening or inspection of all individuals, goods, property, vehicles and equipment before entry into a secured area of the airport, (ii) security awareness programs for airport employees, (iii) screening all checked baggage for explosives with explosives detection systems or other means or technology approved by the Undersecretary of the United States Department of Transportation,

(iv) deployment of sufficient explosive detection systems for all checked baggage, and  
(v) operation of a system to screen, inspect or otherwise ensure the security of all cargo to be transported in all-cargo aircraft.

### **International Visitors**

In January 2004, the Department of Homeland Security deployed the United States Visitor and Immigrant Status Indicator Technology, better known as US-VISIT, at 115 U.S. airports and 14 U.S. seaports. US-VISIT uses scanning equipment to collect arrival and departure data for visitors who require a visa to enter the United States. The equipment gathers fingerprints and a digital photograph of each visitor and verifies the visitor's identity and compliance with immigration laws. Entry procedures became operational in 115 airports and 14 seaports on January 5, 2004. Exit procedures will be phased in at airports and seaports during 2004. Entry and exit US-VISIT procedures must be implemented at the 50 busiest border crossings by December 31, 2004, and at all border crossings by December 31, 2005.

### **Air Cargo Security**

Following the implementation of enhanced security procedures for passengers, the TSA began a comprehensive review of cargo security under the auspices of the Aviation Security Advisory Committee ("ASAC"). The process created three Air Cargo Security Working Groups. The first, the Shipper Acceptance Group, was empanelled to address strengthening the "Known Shipper" guidelines; the second, the Indirect Air Carriers and Freight Forwarders, was asked to examine the operating practices and chain of custody issues for customs brokers and freight forwarders; and the third, Securing the All-Cargo Aircraft, focused on airport perimeter security issues. The groups were authorized on January 22, 2003 and met for the first time on April 29, 2003. Their findings were presented to ASAC on October 1, 2003, and a Notice of Proposed Rule Making was issued. All findings are still under discussion and review.

The results of the first two groups are heavily focused on process and the implementation of administrative controls before goods reach the aircraft. Based on initial industry feedback, the proposed modifications do not represent changes that would have a measurable impact on domestic or international air cargo volumes, although the processing time for cargo from shipper to aircraft will be extended. The third group's results address perimeter security and protection of the aeronautical areas where freighter aircraft would be parked. There is no indicated potential for these findings to affect cargo tonnage either.

On November 17, 2003, the TSA issued a directive requiring passenger carriers to conduct limited screening of cargo. The percentage to be inspected was not released nor was a method of screening detailed. It is therefore difficult to draw conclusions as to the impact of the directive on the Airport's passenger cargo volume. At the same time, the TSA directed that foreign flag carriers must initiate screening procedures for air cargo that match those required for domestic carriers.

The air cargo industry has two primary concerns about possible future air cargo security guidelines. The first is that screening requirements could add substantial additional costs to routine cargo shipments. In an environment where cargo yields are extremely low, price sensitivity could divert less expensive and less time-sensitive freight to trucking. The second

concern is that overly cumbersome administrative requirements would have a similar effect, pushing air cargo to second and third day trucking. Materialization of either of these could impact the Airport's freight volumes.

### **Airline Competition and Airfares**

Airline airfares have an important effect on passenger demand, particularly for relatively short trips where the automobile or other travel modes are alternatives for price-sensitive "discretionary" travel, particularly leisure travel. Airfares are influenced by labor, fuel and other airline operating costs, debt burden, passenger demand, capacity and yield management, market presence and competitive factors. A large part of the typical airfare paid by passengers is now accounted for by taxes, fees, and other charges assessed by governmental and airport agencies. Such charges can account for 20 percent or more of the costs of short-haul and low-fare tickets.

In an attempt to stimulate passenger traffic and maintain their market shares, the airlines reduced airfares early in 2001 and, following September 2001, reduced airfares further. Industry analysts have expressed concern about the sustainability of the current "revenue model" of most of the major airlines, which involves uneconomically low discount fares made available to many leisure travelers and high "walk-up" fares that must be paid by many business travelers. Simplification and rationalization of this model is seen as a key to the industry regaining and sustaining profitability.

In many airline travel markets nationwide, price competition is provided by new entrant and other airlines with lower costs structures ("Low-cost carriers" or "LCC's"). Published estimates indicate that LCCs accounted for about one-quarter of all domestic air passenger-miles flown in the United States during 2003 and, as a result, pose a rapidly-growing competitive threat to the major network airlines whose unit costs are significantly higher. Because the LCCs can transport passengers profitably at much lower fares, the major network carriers must match those prices or cede passengers to the LCCs. Consequently, the major carriers must drastically reduce their cost base, bring their capacity more in line with traveler demand, and find ways to make their operations more efficient. This process is in its early stages, has involved some experimentation by the major airlines into the LCC concept (e.g., Delta Air Lines with Song, and United Airlines with Ted), and could mean a restructuring of the airline industry over the longer term. While this has produced many changes to the air travel experience, and is likely to produce more changes in the future, the one certainty is that increased competition will generally produce lower airfares. Although this phenomenon is playing out in the domestic arena, it is expected to affect international air service and fares in due course.

### **Availability and Price of Aviation Fuel**

There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but the price of aviation fuel continues to be an important and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability. The invasion of Iraq and political unrest in Venezuela caused fuel prices to rise in early 2003; average fuel prices in early 2003 were approximately 40% higher than in early 2002. These increases in fuel prices have contributed to recent airline industry losses. While recent fuel prices have not affected the ability of airlines to provide service, future fluctuations in fuel prices could affect air service, airfares and passenger numbers.

## **CERTAIN INVESTMENT CONSIDERATIONS**

In addition to other information contained in this Official Statement, key factors that may affect airline traffic and Revenues at the Airport are described below.

### **General Issues Affecting Revenues**

The airline industry is significantly affected by a number of key factors arising from national and international conditions and events. Such factors include (i) economic conditions resulting from the level of national and international economic growth; (ii) international trade; (iii) currency values; (iv) the nature of domestic airline service and the effect of deregulation on competition; (v) the extent to which airline service is impacted by the demand generated by specific airport markets and, in certain instances, the level of connecting passenger activity (hubbing); (vi) the level of airline fares, which has a significant impact on passenger traffic; (vii) airport capacity, which has been affected by significant growth in certain air passenger markets; and (viii) disruption caused by airline incidents, acts of war, and terrorism. Other factors which may adversely impact the revenues of airlines serving the Airport include, without limitation, declining demand; service and cost competition; the availability and cost of fuel and other necessary supplies; high fixed costs; high capital requirements; the cost and availability of financing; technological changes; the cost and availability of employees; strikes and other employee disruptions; the maintenance and replacement requirements of aircraft; insurance costs; litigation liability; federal government regulation and deregulation; environmental risks and regulations; noise abatement concerns and regulation; and federal and state bankruptcy and insolvency laws. The trend to introduce regional jets will also have an effect on individual markets, the individual air carriers and the aviation industry as a whole. See “DEVELOPMENTS AFFECTING THE AIR TRANSPORTATION SYSTEM.”

### **Uncertainties of the Airline Industry**

The State's ability to derive Revenues from its operation of the Airport will depend on many factors, many of which are not subject to the control of the State or management of the Airport, including the overall condition of the airline industry. Revenues may be affected by the ability of the Signatory Airlines, individually and collectively, to meet their respective obligations under the Agreements.

As a result of the present condition of the airline industry, bankruptcy filings and liquidations or major restructurings by members of the airline industry remain possible. See “DEVELOPMENTS AFFECTING THE AIR TRANSPORTATION SYSTEM – Significant Events.” The financial strength and stability of airlines serving the Airport may impact future airline traffic. In addition, individual airline decisions regarding level of service at the Airport, together with the unwillingness of certain potential passengers to fly in light of actual and potential terrorist attacks, will affect total enplanements. There is no assurance that the Airport, despite a demonstrated level of airline service and operations, will continue to maintain such levels in the future. Future airline traffic at the Airport will be affected by, among other things, the growth or decline in the population and the economy of the Airport service region and by national and international economic conditions, acts of war and terrorism, federal regulatory actions, airline service, air fare levels and the operation of the air traffic control system.



## **Airline and Other Bankruptcies**

The financial results of the airline industry have been subject to substantial volatility since deregulation of the airline industry in 1978. Since that time, several airlines, including airlines with a substantial presence at the Airport, have filed for bankruptcy protection. Some of these airlines subsequently ceased operations, while others have successfully emerged from bankruptcy. Further bankruptcy filings, liquidations or major restructurings within the airline industry are possible as well.

In addition, any airline filing for protection under the bankruptcy laws (or a trustee on its behalf) would have the right to seek rejection of any executory airport lease or contract within certain specified time periods after the filing, unless extended by the bankruptcy court. During the pendency of a bankruptcy proceeding, a debtor airline using the Airport typically may not, absent a court order, make any payments to the Airport on account of goods and services provided prior to bankruptcy. Thus, the Airport's stream of payments from a debtor airline may be interrupted to the extent of pre-petition goods and services, including any accrued rent, Landing Fees, aviation fees and passenger facility charges. Rejection of any executory lease or contract by a debtor in bankruptcy is typically sought to avoid long-term commitments, unusual contract terms, or high fixed fees.

US Airways and United Air Lines have filed voluntary petitions under Chapter 11 of Title 11 of the United States Bankruptcy Code. US Airways has assumed its lease at the Airport and has paid its pre-petition debt pursuant to an agreement with the Airport. There has been no effect on US Airways' operations at the Airport.

United Air Lines and the Airport have reached an agreement for the payment of United's pre-petition debt in anticipation of United's assuming its lease at the Airport. However, United has not yet assumed or rejected its lease. United's operations at the Airport have been unaffected by the bankruptcy filing.

See "SECURITY AND SOURCES OF PAYMENT FOR THE BONDS -- Released Revenues Relating to the Parking Lease" for a discussion of the possible consequences of a bankruptcy filing by the Parking Operator.

## **Aviation Security Concerns**

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of the threat of additional terrorist attacks, may influence the demand for passenger air travel. Travel behavior may be affected by anxieties over the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the selection of surface travel over air travel.

Because of the implementation of the Congressional mandate effective January 1, 2003 to screen all checked baggage for explosives, as well as the impact on airport operations of procedures mandated under "Code Orange" (high) and "Code Red" (severe) national threat levels declared by the Department of Homeland Security under the Homeland Security Advisory

System, there is the potential for significantly increased inconvenience and delays at many airports, including the Airport.

See “DEVELOPMENTS AFFECTING THE AIR TRANSPORTATION SYSTEM – Airport Security.”

### **Airport Insurance**

The Airport maintains certain levels of insurance coverage for liability and property damage at the Airport. See “BRADLEY INTERNATIONAL AIRPORT – Airport Insurance.” That insurance coverage may not be sufficient to fully cover the Airport from all insurable risks. In particular, the Airport’s property insurance excludes acts of war and terrorism.

### **Economic and Political Considerations**

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Recession in the U.S. economy in 2001 and stagnant economic conditions in 2002 contributed to reduced passenger traffic during those years. Future increases in passenger traffic will depend largely on the ability of the nation to sustain growth in economic output and income.

With the globalization of business and the increased importance of international trade, growth of the U.S. economy has become more closely tied to economic, political and social conditions worldwide. As a result, international economics, currency exchange rates, trade balances, political relationships, public health concerns, and hostilities have become important influences on passenger traffic at major U.S. airports. Future increased in both domestic and international passenger traffic will depend on stable and peaceful international relationships and global economic growth.

### **Airline Economics, Competition, and Airfares**

Airline fares have an important effect on passenger demand, particularly for relatively short trips where the automobile or other travel modes are alternatives and for price-sensitive “discretionary” travel, such as vacation travel. Airfares are influenced by airline operating costs and debt burden, passenger demand, capacity and yield management, market presence and competition.

In particular, price competition is provided by new entrants and other airlines with lower cost structures. The start of service by Southwest Airlines at the Airport has provided such competition. While the nature and extent of such “low-fare” competition varies from airport to airport, most large origin-destination passenger markets have attracted low-fare airline service and passenger traffic has increased as a result. Continued increases in passenger traffic at the Airport will depend to some extent on the continued availability of competitive airfares.

See “DEVELOPMENTS AFFECTING THE AIR TRANSPORTATION SYSTEM – Airline Competition and Airfares.”

## **Capacity of National Air Traffic Control and Airport Systems**

Demands on the nation's air traffic control system continue to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports, including the Airport. These restrictions affect airline schedules and passenger traffic nationwide. In addition, increasing demands on the national air traffic control and airport systems could cause increased delays and restrictions in the future.

### **Additional Information**

Certain Signatory Airlines and Air Carriers (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, certain information, including financial information concerning such domestic airlines or their parent corporations, is disclosed in certain reports and statements filed with the SEC. Such reports and statements can be inspected at the SEC's Public Reference Room, 450 Fifth Street, N.W., Washington, D.C. 20549, and the public may obtain certain information by calling the SEC at 1-800-SEC-0330. The SEC also maintains an Internet site ([www.sec.gov](http://www.sec.gov)) that makes available reports, proxy statements and other information regarding these companies. In addition, the principal domestic airlines serving the Airport file periodic reports of financial and operating statistics with the United States Department of Transportation. Such reports can be inspected at the following location: Office of Aviation Information Management, Data Requirements and Public Reports Division, Research and Special Programs Administration, Department of Transportation, Room 4201, 400 Seventh Street, S.W., Washington, D.C. 20590, and copies of such reports can be obtained from the Department of Transportation at prescribed rates. Foreign airlines also provide certain information concerning their operations and financial affairs, which may be obtained from the respective airlines. The State makes no representation with respect to, and assumes no responsibility for, the accuracy or completeness of, any information filed by the airlines.

### **Delivery Date of Bonds**

Subject to the terms of the Bond Purchase Agreement between the State and the Underwriter, the State expects that the Bonds will be delivered to the Underwriter on July 8, 2004, or such later date as may be mutually agreed upon by the State and the Underwriter (the "Closing Date"). Under applicable federal tax rules, the Closing Date may not be more than 90 days prior to October 1, 2004, the redemption date of the Prior Bonds. The market value of the Bonds as of the Closing Date may be affected by a variety of factors and could be higher or lower than the price to be paid by the initial purchasers of the Bonds. In particular, the market value of the Bonds as of the Closing Date may be affected by general market conditions and the financial condition and business operations of the Airport and the Bond Insurer. Neither the State nor the Underwriter makes any representation as to the expected market price of the Bonds as of the Closing Date. The Underwriter is not obligated to make a secondary market in the Bonds prior to the Closing Date or at any time thereafter.

## **CONTINUING DISCLOSURE AGREEMENT**

Sections 3-20 and 3-20e of the Connecticut General Statutes, as amended, give the State and political subdivisions of the State the specific authority to enter into continuing disclosure

agreements in accordance with the requirements of Securities and Exchange Commission Rule 15c2-12 (the “Rule”). The State will enter into a Continuing Disclosure Agreement with respect to the Bonds for the benefit of the beneficial owners of the Bonds, substantially in the form included in **Appendix D – Continuing Disclosure Agreement** to this Official Statement (the “Continuing Disclosure Agreement”), pursuant to which the State will agree to provide or cause to be provided, in accordance with the requirements of the Rule, (i) certain annual operating data for the Airport and certain annual financial information, (ii) timely notice of certain material events relating to the Bonds and (iii) timely notice of a failure by the State to provide the required annual information on or before the date specified in the Continuing Disclosure Agreement.

A default by the State under the Continuing Disclosure Agreement will not be a default under the Indenture.

The State has previously undertaken in continuing disclosure agreements entered into for the benefit of holders of other bonds, including the Series 2001 Bonds, to provide certain annual financial information and event notices with respect to those bonds pursuant to the Rule. The State has not defaulted in its obligations to provide the annual financial information pursuant to such continuing disclosure agreements.

The Underwriter’s obligation to purchase the Bonds will be conditioned upon its receipt, at or prior to the delivery of the Bonds, of executed copies of the Continuing Disclosure Agreement.

## **TAX MATTERS**

In the opinion of Squire, Sanders & Dempsey L.L.P., under existing law, interest on the Bonds is (i) excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), except for interest on any Bond for any period during which it is held by a “substantial user” or a “related person,” as those terms are used in Section 147(a) of the Code, and (ii) excluded from the Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds.

The opinion on federal tax matters will be based on and will assume the accuracy of certain representations and certifications, and continuing compliance with certain covenants, of the State to be contained in the transcript of proceedings and that are intended to evidence and assure the foregoing, including that the Bonds are and will remain obligations the interest on which is excluded from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of those certifications and representations or that compliance.

The Code prescribes a number of qualifications and conditions for the interest on state and local obligations to be and to remain excluded from gross income for federal income tax purposes, some of which require future or continued compliance after issuance of the obligations in order for the interest to be and to continue to be so excluded from the date of issuance.

Noncompliance with these requirements by the State may cause the interest on the Bonds to be included in gross income for federal income tax purposes and thus to be subject to federal income tax retroactively to the date of issuance of the Bonds. The State has covenanted in the Indenture to take the actions required of it for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes, and not to take any actions that would adversely affect that exclusion.

A portion of the interest on the Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

Under the Code, the exclusion of interest from gross income for federal income tax purposes may have certain adverse federal income tax consequences on items of income, deduction or credit for certain taxpayers, including financial institutions, certain insurance companies, recipients of Social Security and Railroad Retirement benefits, those that are deemed to incur or continue indebtedness to acquire or carry tax-exempt obligations and individuals otherwise eligible for the earned income tax credit. The applicability and extent of these or other tax consequences will depend upon the particular tax status or other tax items of the owner of the Bonds. Bond Counsel will express no opinion regarding those consequences.

Purchasers of the Bonds at other than their original issuance at the respective prices or yields indicated on the cover of this Official Statement should consult their own tax advisers regarding other tax considerations such as the consequences of market discount.

### **Original Issue Premium**

The Bonds have been offered and sold to the public at a price in excess of their stated redemption price (the principal amount) at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Bond, based on the yield to maturity of that Bond (or, in the case of a Bond callable prior to its stated maturity, the amortization period and yield may be required to be determined on the basis of an earlier call date that results in the lowest yield on that Bond), compounded semiannually. No portion of that bond premium is deductible by the owner of a Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Bond, the owner's tax basis in the Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes upon the sale or other disposition of a Bond for an amount equal to or less than the amount paid by that owner for that Bond. A purchaser of a Bond at its issue price in the initial public offering who holds that Bond to maturity (or, in the case of a callable Bond, to its earlier call date that results in the lowest yield on that Bond), will realize no gain or loss upon the retirement of that Bond.

Owners of the Bonds (or book-entry interests in them) should consult their own tax advisers as to the determination for federal income tax purposes of the amount of OID or bond premium properly accruable in any period with respect to the Bonds and as to other federal tax consequences and the treatment of bond premium for purposes of state and local taxes on, or based on, income.



## **ABSENCE OF LITIGATION**

Upon delivery of the Bonds, the State will furnish a certificate of the Attorney General of the State, dated the date of delivery of the Bonds, to the effect that there is no controversy or litigation of any nature pending or threatened to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the application of moneys to the payment of the Bonds.

## **RATINGS**

The Bonds have been rated “A3” by Moody’s Investors Service, Inc. (“Moody’s”), “A” by Standard & Poor’s Ratings Services (“S&P”), and “A” by Fitch Ratings (“Fitch”). Moody’s has indicated a positive outlook while S&P’s and Fitch’s outlooks are stable. Upon issuance of the Bonds, the State anticipates that Moody’s, S&P and Fitch will assign the ratings of “Aaa”, “AAA” and “AAA”, respectively, to the Bonds with the understanding that upon delivery of the Bonds a policy insuring the payment when due of the principal of and interest on the Bonds will be issued by the Bond Insurer. Such ratings reflect only the view of such organizations, and an explanation of the significance of such ratings can only be obtained from the rating agency furnishing the same. 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 any such rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

## **FINANCIAL ADVISOR**

Lamont Financial Services Corporation (the “Financial Advisor”) has served as the Financial Advisor to the State with respect to the sale of the Bonds. The Financial Advisor has assisted in various matters relating to the planning, structuring and issuance of the Bonds and has assisted in the preparation of the Official Statement. The Financial Advisor has not undertaken to make an independent verification of, or to assume responsibility for, the accuracy, completeness or fairness of the information contained in the Official Statement.

## **UNDERWRITING**

The aggregate initial offering price of the Bonds to the public is \$32,039,211.90 and the Underwriter has agreed, subject to certain conditions precedent to closing, to purchase the Bonds from the State at an aggregate purchase price of \$31,808,535.73. The Underwriter will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Bonds into investment trusts) at prices lower than such initial public offering prices, and such initial public offering prices may be changed, from time to time, by the Underwriter.

## LEGAL MATTERS

Legal matters incident to the issuance of the Bonds and with regard to the status of the interest thereon are subject to the legal opinion of Squire, Sanders & Dempsey L.L.P., New York, New York, Bond Counsel. Signed copies of the opinion, dated and speaking only as of the date of original delivery of the Bonds, will be delivered to the Underwriter at the time of such original delivery and the form of the opinion is set forth as Appendix E to this Official Statement. Certain legal matters will be passed upon for the Underwriter by Nixon Peabody LLP, Hartford, Connecticut, Hartford, Connecticut as Underwriter's counsel.

Squire, Sanders & Dempsey L.L.P. represents the Underwriter and the Bond Insurer from time to time as counsel on unrelated transactions. Nixon Peabody LLP, Underwriter's counsel, also serves as one of the State's bond counsel in certain other transactions.

## ADDITIONAL MATTERS

The references herein to and summaries of federal, State and local laws, including but not limited to the Code, and laws of the State, the Act, and documents, agreements and court decisions, including but not limited to the Indenture, are summaries of certain provisions thereof. Such summaries do not purport to be complete and are qualified in their entirety by reference to such acts, laws, documents, agreements or decisions.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. Neither this Official Statement nor any statement that may have been made orally or in writing shall be construed as a contract or as a part of a contract with the original purchasers or any holders of the Bonds.

### STATE OF CONNECTICUT

By: /s/ Denise L. Nappier  
Hon. Denise L. Nappier  
Treasurer of the State of Connecticut

By: /s/ Marc S. Ryan  
Hon. Marc S. Ryan  
Secretary of the Office of Policy and  
Management

By: /s/ Stephen E. Korta  
Hon. Stephen E. Korta  
Commissioner of the Department  
of Transportation

Dated at Hartford, Connecticut  
this 13<sup>th</sup> day of May, 2004

[THIS PAGE INTENTIONALLY LEFT BLANK]

**APPENDIX A**

**BRADLEY INTERNATIONAL  
AIRPORT**  
(An Enterprise Fund of the State of Connecticut)

**FINANCIAL STATEMENTS**

**AS OF JUNE 30, 2003 AND 2002**

**TOGETHER WITH**

**INDEPENDENT AUDITORS' REPORT**

**BRADLEY INTERNATIONAL AIRPORT  
TABLE OF CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>FINANCIAL STATEMENTS</b>	
Statement of Net Assets	14
Statement of Revenues, Expenses, and Changes in Fund Net Assets	15
Statement of Cash Flows	16
Notes to Financial Statements	17
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule 1 - Schedule of Passenger Facility Charge Expenditures	29
Schedule 2 – Insurance Coverage	30
<b>INTERNAL CONTROL AND COMPLIANCE REPORTS</b>	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	31
Report on Compliance With Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance	33



**INDEPENDENT AUDITORS' REPORT**

[THIS PAGE INTENTIONALLY LEFT BLANK]

Paul E. DiSanto, CPA  
Alfred W. Bertoline, CPA  
Richard M. Hoyt, Jr., CPA, PFS  
Scott A. Trenholm, CPA  
Jay J. Rasmus, CPA, PFS, MST  
Paul R. Filippetti, CPA  
William C. Sherman, CPA, MST  
Dana A. Wilson, CPA



628 Hebron Ave., Bldg. #3  
Glastonbury, Connecticut 06033  
Phone: 860-659-1338

4 Fort Hill Road  
Groton, Connecticut 06340  
Phone: 860-445-8353

[www.dbco.com](http://www.dbco.com)

## INDEPENDENT AUDITORS' REPORT

Mr. James F. Byrnes, Jr.  
Commissioner  
State of Connecticut Department of Transportation

Mr. L. Scott Frantz  
Chairman  
Board of Directors  
Bradley International Airport

We have audited the accompanying statements of net assets of Bradley International Airport (an enterprise fund of the State of Connecticut) as of June 30, 2003 and 2002, and the related statements of revenues, expenses and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of Bradley International Airport. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bradley International Airport as of June 30, 2003 and 2002, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2003 on our consideration of Bradley International Airport's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming opinions on the financial statements of Bradley International Airport. The accompanying schedule of Passenger Facility Charge Expenditures (Schedule 1) is presented for purposes of additional analysis as specified in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects in relation to the financial statements taken as a whole. The supplemental information on insurance coverage as of June 30, 2003 (Schedule 2) has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*D. Santo Bertolini & Company, P.C.*

Glastonbury, Connecticut  
October 15, 2003

**MANAGEMENT'S DISCUSSION AND ANALYSIS**



[THIS PAGE INTENTIONALLY LEFT BLANK]

**BRADLEY INTERNATIONAL AIRPORT**  
**JUNE 30, 2003**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following Management's Discussion and Analysis (MD&A) of Bradley International Airport's financial performance provides an overview of the Airport's financial activities for the year ended June 30, 2003. Please read it in conjunction with the Airport's financial statements that follow this section. The MD&A is intended to provide meaningful information to the reader for the current year, and in comparison to prior years, thereby enhancing the reader's understanding of Bradley International Airport's financial position and the results of its operations.

To summarize briefly, Bradley International Airport achieved strong financial performance results in fiscal year 2003 considering the economic climate in which it is operating. The Airport's net assets increased by over \$15 million including operating income of \$1 million, non operating revenues of \$9 million and capital contributions of \$5 million. The Airport continued to invest in its terminal expansion and improvement program, placing a new domestic terminal building and 12 gate concourse, international terminal, co-generation plant and maintenance facility into service and increasing its investment in capital assets by over \$68 million. The Airport remained competitive in its cost structure to the airlines, and performed consistent with budget expectations set at the beginning of the fiscal year. The Airport continues to offer a strong origin and destination market with highly diversified air service.

**USING THIS REPORT**

**Enterprise Fund Financial Statements**

Bradley International Airport is an enterprise fund of the State of Connecticut. An Enterprise Fund is used to present governmental activities where a fee is charged to external customers for goods that are sold or services that are rendered. Usually these activities are either financed by debt that is secured solely by a pledge of the operating revenues of that activity or, laws.

The Airport's financial statements consist of a statement of net assets, a statement of revenues, expenses and changes in fund net assets, and a statement of cash flows. The financial statements utilize the economic resources measurement focus and the accrual basis of accounting – thus providing the foundation for generally accepted accounting principles that are used in private sector business reporting. This means that all assets and liabilities associated with the operation of the Airport are included on the statement of net assets, and that revenues and expenses are recognized when earned and incurred, respectively, on the statement of revenues, expenses and changes in fund net assets.

The statement of net assets is presented in a format that displays assets less liabilities equal net assets. Net assets are presented in three components (i) invested in capital assets, net of related debt, (ii) restricted, and (iii) unrestricted. Invested in capital assets, net of related debt consists of all significant capital assets owned by the Airport, net of accumulated depreciation, and reduced by any outstanding balances of bonds or other debt related to the acquisition, construction, or improvement of those assets. Capital assets include land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets that are used in operations that have an initial useful life beyond one year. Capital assets are depreciated over their useful lives and periodic depreciation expense is reported in the statement of revenues, expenses and changes in fund net assets. Net assets are reported as restricted when constraints are placed on those assets by creditors, grantors, laws or imposed by law through constitutional provisions or enabling legislation. The restrictions in place at Bradley International Airport generally flow from indentures of trust associated with the sale of its airport revenue bonds, and regulations associated with its use of Passenger Facility Charges.

The statement of revenues, expenses and changes in fund net assets reports the operating revenues and expenses and non-operating revenue and expenses of the Airport for the fiscal year with the difference –

the net income or loss – being combined with any capital contributions to determine the change in net assets. That change, combined with the prior year-end net asset total, reconciles to the net asset total at the end of the current fiscal year.

The statement of cash flows reports cash activities for the fiscal year resulting from operating activities, capital and related financing activities, and investing activities. The net result of these activities added to the beginning of the year cash balance reconciles to the cash balance at the end of the current fiscal year.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is important to understanding the information included in the financial statements

### **Supplemental Information**

Supplemental information includes a Schedule of Passenger Facility Charge Expenditures and a Schedule of Insurance Coverage.

### **Required Additional Reports**

Required additional reports include a report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* and a Report on Compliance With Requirements Applicable to the Passenger Facility Charge Program and on Internal Control Over Compliance.

## **FINANCIAL HIGHLIGHTS**

**Unless otherwise stated, all values presented in the MD&A are in thousands with the exception of passenger statistics, and various ratios presented including per passenger ratios**

### **Net Assets**

The net assets of the Airport are summarized in Table 1. Net assets are a measurement of the financial condition of the Airport at one point in time. As indicated in Table 1, Airport net assets increased by \$15,520 in fiscal year 2003. This is the result of an increase in total assets of \$12,692 and a reduction in total liabilities of \$2,828. The increase in total net assets is shown as invested in capital assets, net of debt. Both restricted and unrestricted net assets declined in fiscal year 2003.

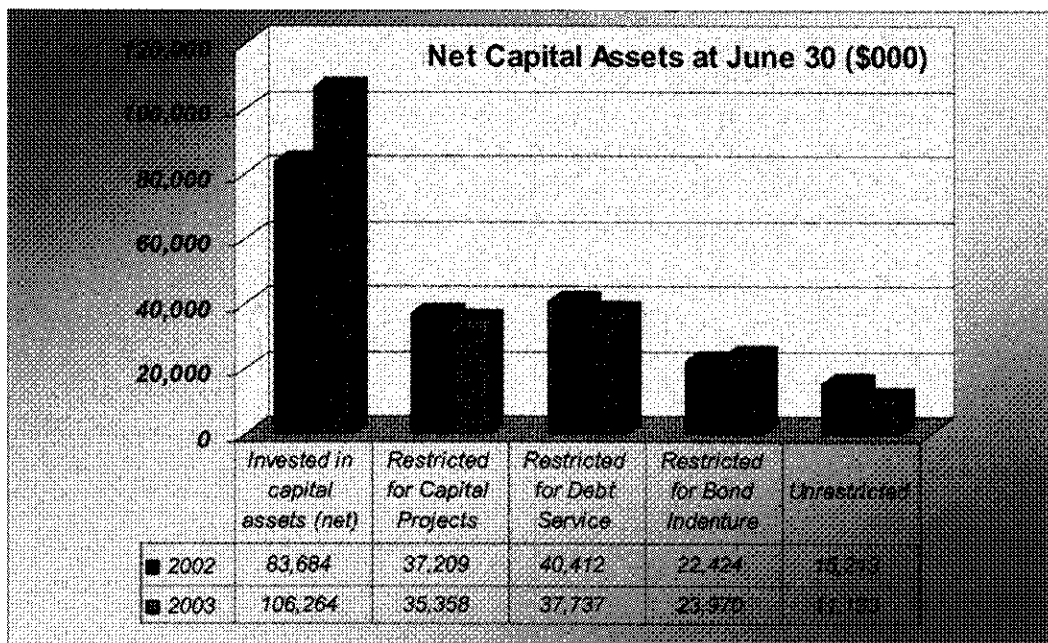
Table 1 also indicates that Bradley International Airport's assets exceeded its liabilities by \$214,462 as of June 30, 2003. Airport assets totaled \$493,470. This includes current and other assets of \$189,685 and capital assets of \$303,785. Airport liabilities totaled \$279,008 as of June 30, 2003. This includes \$251,151 in long term debt outstanding and \$27,857 in other liabilities.

***As of June 30, 2003 total revenue bonds payable, less current maturities, of \$250,479 equate to \$78.55 per enplaned passenger based on fiscal year 2003 enplaned passengers of 3,188,619, a modest reduction from FY 2002 bonds payable of \$78.86 per enplaned passenger.***

Net Assets as of June 30, 2003 totaled \$214,462, an increase of \$15,520 from the prior year. These net assets are either invested in capital assets, net of related debt, which total \$106,264, restricted for capital projects, bond indenture requirements and debt service, which total \$97,065, or unrestricted and available to meet the ongoing financial obligations of the Airport which total \$11,133.

**TABLE 1**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2003 and 2002**  
**(In thousands)**

	<u>2003</u>	<u>2002</u>	<u>Change</u>
<b>ASSETS</b>			
Current and other assets	189,685	233,627	(43,942)
Capital Assets	<u>303,785</u>	<u>247,151</u>	<u>56,634</u>
<b>Total Assets</b>	<u>493,470</u>	<u>480,778</u>	<u>12,692</u>
<b>LIABILITIES</b>			
Long term debt outstanding	251,151	257,149	(5,998)
Other liabilities	<u>27,857</u>	<u>24,687</u>	<u>3,170</u>
<b>Total liabilities</b>	<u>279,008</u>	<u>281,836</u>	<u>(2,828)</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of debt	106,264	83,684	22,580
Restricted	97,065	100,045	(2,980)
Unrestricted	<u>11,133</u>	<u>15,213</u>	<u>(4,080)</u>
<b>Total net assets</b>	<u>214,462</u>	<u>198,942</u>	<u>15,520</u>



**Changes in Net Assets**

The increase in net assets shown on Table 1 was generated from the change in net assets shown on Table 2, Statement of Revenues, Expenses, and Changes in Fund Net Assets for the Year Ended June 30, 2003. Changes in net assets represent the results of operations of the Airport. Net assets increased 8% from the prior year. The increase reflects both Airport net income and capital contributions. Airport net income is comprised of income from operations and non-operating revenue (expense), which totaled \$10,479 for fiscal year 2003. Capital contributions represent federal grants for approved capital projects that totaled \$5,041 for fiscal year 2003.

**TABLE 2  
CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002  
(In Thousands)**

	<u>2003</u>	<u>2002</u>	<u>Change</u>
<b>OPERATING REVENUES</b>			
Landing fees	11,680	7,222	4,458
Airline terminal rent	6,255	5,697	558
Apron and remote aircraft parking	2,616	2,056	560
Auto Parking	8,516	8,340	176
Rental cars	6,184	6,632	(448)
Terminal concessions	3,698	4,005	(307)
Other Concessions and operating revenue	3,646	3,198	448
Land rent	<u>2,608</u>	<u>2,246</u>	<u>362</u>
<b>Total operating revenues</b>	<u>45,203</u>	<u>39,396</u>	<u>5,807</u>
<b>OPERATING EXPENSES</b>			
Salaries and related expenses	11,607	11,154	453
Contractual services	14,506	13,510	996
Depreciation and amortization	12,913	11,008	1,905
Energy and utilities	3,319	2,006	1,313
Other operating expenses	<u>1,822</u>	<u>1,167</u>	<u>655</u>
<b>Total operating expenses</b>	<u>44,167</u>	<u>38,845</u>	<u>5,322</u>
<b>Operating income</b>	1,036	551	485
<b>NON-OPERATING REVENUES(EXPENSES)</b>			
Passenger facility charge revenue	12,908	13,571	(663)
Investment income	6,692	10,086	(3,394)
Revenue bond interest expense	<u>(10,157)</u>	<u>(11,609)</u>	<u>1,452</u>
<b>Total non-operating revenues</b>	<u>9,443</u>	<u>12,048</u>	<u>(2,605)</u>
<b>Income before capital contributions</b>	10,479	12,599	(2,120)
<b>CAPITAL CONTRIBUTIONS</b>			
<b>Change in net assets</b>	<u>5,041</u>	<u>12,163</u>	<u>(7,122)</u>
<b>Total net assets, beginning of year</b>	<u>198,942</u>	<u>174,181</u>	<u>24,761</u>
<b>Total net assets, end of year</b>	<u>214,462</u>	<u>198,942</u>	<u>15,520</u>

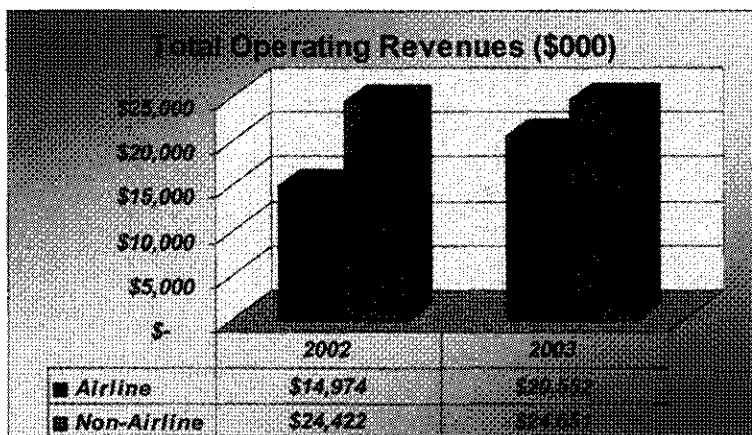


## AIRPORT NET INCOME

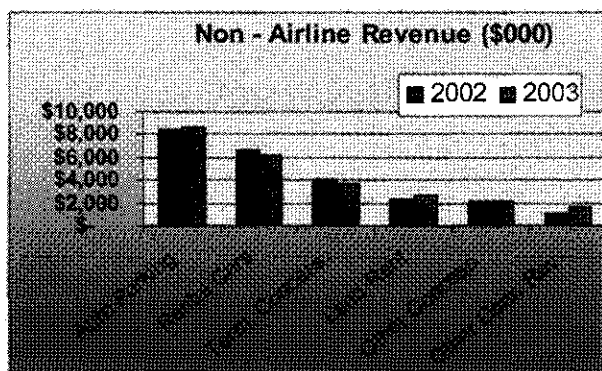
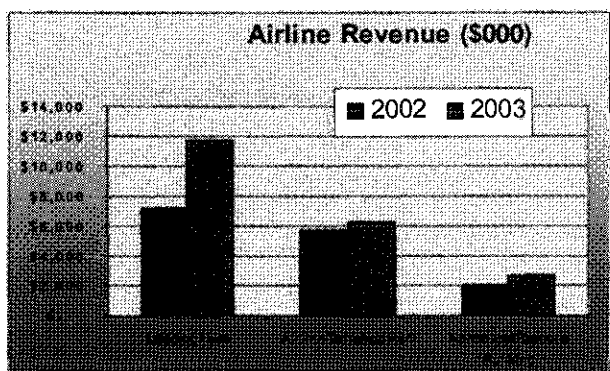
Fiscal year 2003 income before capital contributions of \$10,479 includes income from operations of \$1,036 and non-operating revenue (expense) of \$9,443.

### Operating Revenues

Operating revenues for fiscal year 2003 totaled \$45,203, an increase of \$5,807 or 15% from fiscal year 2002. Operating revenues are segregated between airline and non-airline sources. Airline revenues were \$20,552 or 45% of total operating revenue, and non-airline revenues were \$24,651 or 55% of total operating revenue as shown at right and in greater detail below.



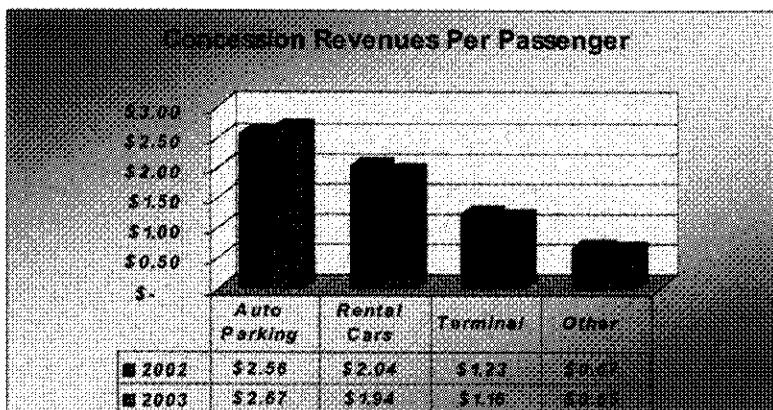
=Virtually all of the increase in FY 2003 operating revenues was generated from increased airline revenue. The airlines pay rates and charges based on budgeted expenditures allocated to airline cost centers including the landing area, terminal building and aircraft parking aprons. The FY 2003 budget included fairly significant increases in operating expenses allocated to these cost centers, largely attributable to increased security costs. Total non-airline revenues remained relatively flat. Within total non-airline revenue, however, rental car and terminal concession revenues decreased by 7% and 8% respectively. This is attributed to lower passenger traffic, the impacts of enhanced passenger screening requirements, and the new terminal construction program underway at the airport. The reduction in rental car revenues may also reflect reduced corporate travel in light of the FY 2003 economy. These decreases were offset by increases in land rent and other operating revenue.



The largest source of airline revenue is landing fees, followed by airline terminal rent, apron and remote aircraft parking. The landing fee, like terminal and apron charges to the Signatory Airlines at the Airport, are cost-based rates developed with the intent of recovering budgeted costs allocated to the Airport cost centers.

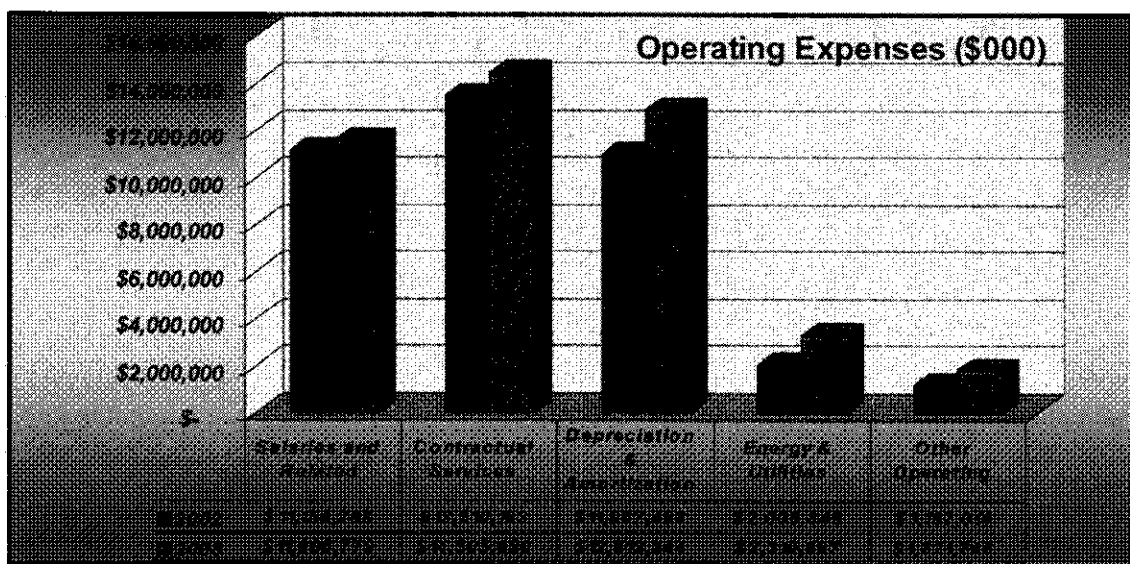
**Total airline revenue of \$20,552 equates to a very competitive \$6.45 per enplaned passenger based on fiscal year 2003 enplaned passengers of 3,188,619, a 40% increase from FY 2002 airline revenue per enplaned passenger of \$4.60.**

Non-Airline revenues are made up of the various concessions operating at the Airport, land rent and other operating revenue. Concession operations include auto parking, rental cars, terminal concessions and other concessions, which combine for total revenue of \$20,466. The largest source of concession revenue is vehicle parking operations (\$8,516). Terminal concessions include food and beverage operations, retail operations, advertising and miscellaneous services provided in the terminal. Other concessions include in-flight food catering, the Sheraton Hotel located in the terminal, ground transportation services and others.



**Total concession revenue of \$20,466 equates to \$6.42 per enplaned passenger based on fiscal year enplaned passengers of 3,188,619, a modest reduction from FY 2002 concession revenue per enplaned passenger of \$6.50.** The division of revenues per passenger among the various concessions is shown above.

Operating expenses in fiscal year 2003 totaled \$44,167, an increase of \$5,322 or 14.0% from fiscal year 2002. Operating expenses include salaries and wages, contractual services, depreciation and amortization, energy and utilities and other operating expenses. The distribution and comparison of fiscal year 2002 and 2003 operating expenses is shown below:



Depreciation and amortization accounted for 36% of the total increase in operating expenses. This is directly attributable to the significant capital asset additions (investments in the Airport) made this fiscal year and discussed later in the MD&A. One of those additions was the Airport's new co-generation plant providing electric, heating and cooling for existing and new terminal facilities. Accordingly, energy and utilities accounted for 25% of the total increase in operating expenses. Contractual services, which includes airport security expenses, accounted for 19% of the total increase.

As indicated on Table 2, operating income in fiscal year 2003 totaled \$1,036. This represents a \$485 (88%) increase from fiscal year 2002. The increase in operating income is primarily due to a significant increase in airline revenues (landing fees) experienced this year. As previously discussed, increased

costs incurred after 9/11/2001 were reflected in the budget allocations used to set airline rates and charges for FY 2003.

Non – operating revenues and (expenses) include the Airport’s Passenger Facility Charges, investment income and revenue bond interest expense. The Airport is presently authorized by the Federal Aviation Administration to assess a Passenger Facility Charge of \$4.50 per enplaned passenger. The revenue associated with this charge is restricted for approved capital projects, primarily in support of debt service incurred for eligible components of the terminal expansion and improvement program. In fiscal year 2003, the Airport collected total PFCs of \$12,908, a decrease of 5% from FY 2002. The decrease is attributable to a decline in passenger traffic from FY 2002. Investment income from all accounts totaled \$6,692, a 34% decrease from FY 2002 investment income of \$10,086. The reduction in investment income is due to reductions in invested balances resulting from spending on the Airport’s terminal improvement program and other projects, and declining interest rates. Investment earnings on certain accounts are restricted for the purposes of the account as discussed in the notes to financial statements. Revenue bond interest expense for FY 2003 totaled \$10,157, a decrease of 13% based on the debt service schedules associated with the Airport’s 1992 and 2001 series bonds discussed more fully in the notes to financial statements. The total net non-operating revenue shown on Table 2 is \$9,443. Together with income from operations, Airport income before capital contributions is \$10,479, a 17% reduction largely attributed to the decline in investment income.

### CAPITAL CONTRIBUTIONS

Total Capital Contributions in fiscal year 2003 were \$5,041, a 59% decline from FY 2002 capital contributions of \$12,163. Capital contributions in FY 2002 were at historic highs due to the terminal expansion and improvement program, and unique grants made available reimbursement of security costs. Projects and capital contributions are summarized below. The sources of contributed capital are the Federal Aviation Administration and Federal Highway Administration grant programs:

<u>Capital Contributions</u>	<u>2003</u>	<u>2002</u>	<u>Change</u>
Terminal Roadway Project -	\$2,132	\$ 5,478	(\$3,346)
Aircraft Parking Apron Projects -	2,618	4,681	( 2,063)
Planning Studies -	199	98	101
Security Reimbursements -	0	1,767	( 1,767)
Other -	92	139	( 47)
<b>Total</b>	<b><u>\$5,041</u></b>	<b><u>\$12,163</u></b>	<b><u>(\$7,122)</u></b>

Planning studies include preparation of an Airport Master Plan and a Noise Compatibility Study. Other projects include vegetation management, guard lights and work on the new fire station.

#### **Return on Net Assets**

As indicated on Tables 1 & 2, Bradley International Airport’s total net assets as of July 1, 2002 were \$198,942. Adding Airport Income Before Capital Contributions of \$10,479 and Capital Contributions of \$5,041 for the year ended June 30, 2003 results in total net assets of \$214,462.

***This represents a return on beginning of year net assets of 5.27% excluding Capital Contributions or 7.80% including Capital Contributions.***

<b>Return on Net Assets</b>	<b>FY 2003</b>	<b>FY 2002</b>
Excluding Capital Contributions	5.27%	7.23%
Including Capital Contributions	7.80%	14.22%

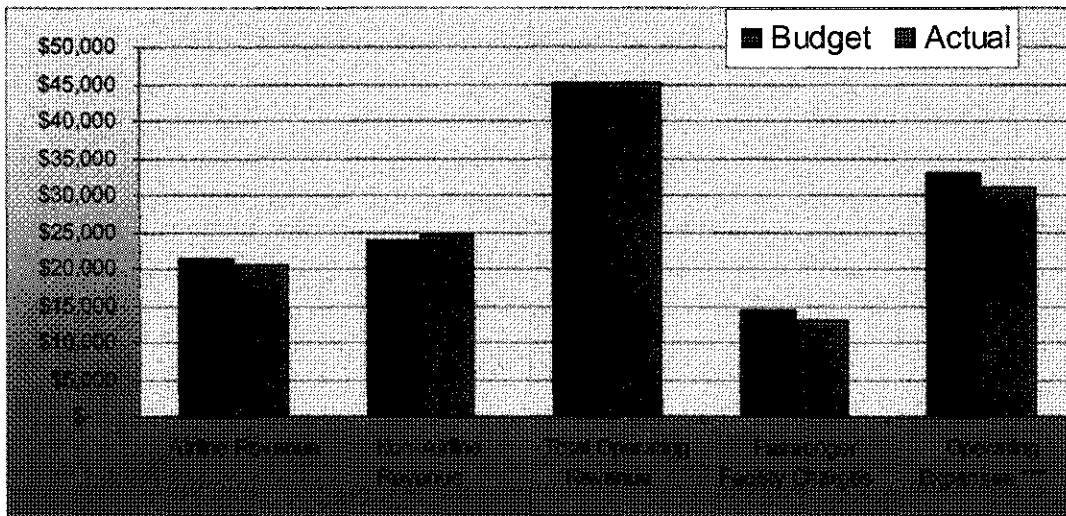
## BUDGET TO ACTUAL PERFORMANCE

Bradley International Airport's annual operating budget is developed pursuant to procedures established in the Air Carrier Operating Agreement between the State and the Signatory Airlines serving the Airport. These procedures provide for preparation of the budget, submission to and approval of the budget by the airlines within a prescribed period prior to the beginning of each fiscal year, and for dispute resolution. The operating budget includes airline and non-airline revenues, operating and maintenance expenses (excluding depreciation, amortization and bad debts), expenditure allocation to the Airport cost centers including the Landing, Apron, Terminal and Other cost centers, and development of the rates and charges that will be paid by the airlines during the ensuing fiscal year. As part of the rate development process, prior budget to actual cost allocations are analyzed and appropriate adjustments are made.

Budget to actual performance for FY 2003 is shown in Table 3. As indicated, airline revenues were 3.8% under budget while non – airline revenues were 3.3% over budget. Consequently, total operating revenue was less than 1% under budget. Passenger facility charges were 9.4% under budget. The budget for passenger facility charges assumed very modest growth in enplaned passengers. However, traffic declines experienced after 9/11/2001 continued into FY 2003. Operating expenses were 5.4% under budget. This variance is largely attributable to lower than budgeted salaries and related expense, security and energy costs.

**Table 3**  
**FY 2003 Budget to Actual Performance (\$000)**

	Budget	Actual	Variance
Airline Revenue	\$ 21,353	\$ 20,552	-3.8%
Non-Airline Revenue	\$ 23,856	\$ 24,651	3.3%
Total Operating Revenue	\$ 45,209	\$ 45,203	0.0%
Passenger Facility Charges	\$ 14,251	\$ 12,908	-9.4%
Operating Expenses ***	\$ 32,945	\$ 31,159	-5.4%

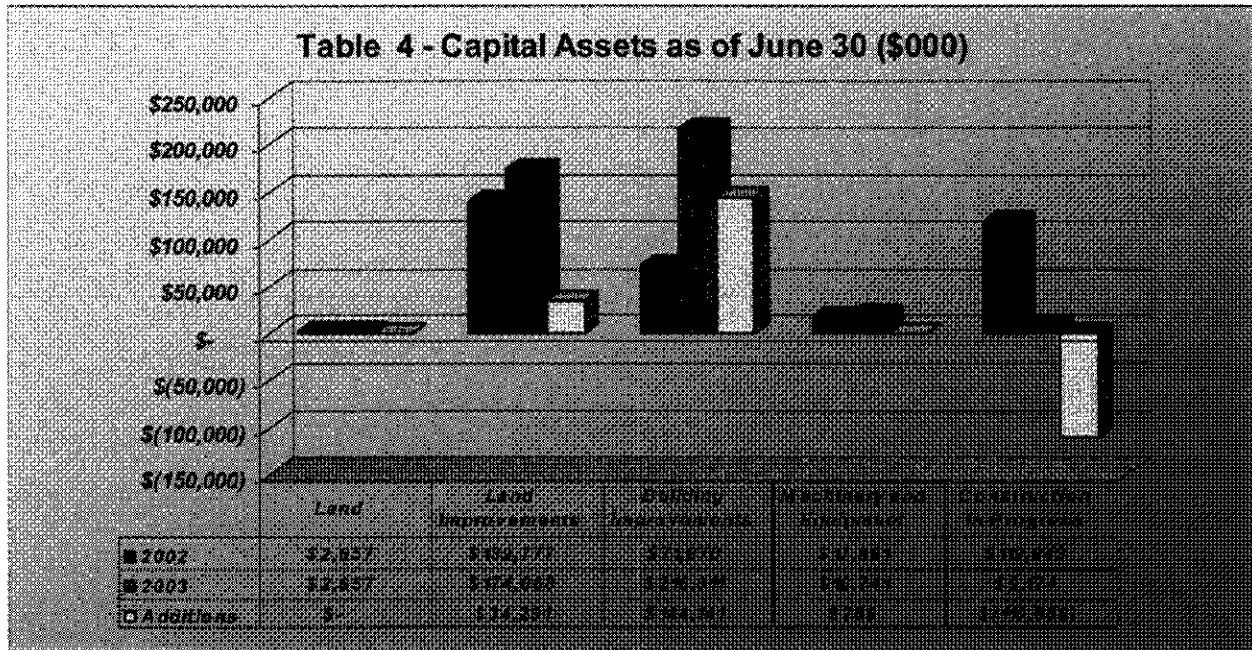


\*\*\* For purposes of budget comparison, actual operating expenses exclude depreciation and amortization and any provision for doubtful accounts. Capitalized equipment purchases are excluded from budget.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The Airport's investment in capital assets increased by \$68,543 for the year ended June 30, 2003 or 19%. This reflects the additions to land improvements, building improvements, machinery and equipment, and reduction to construction in progress, summarized in Table 4 below. The majority of this investment was made in the Airport's terminal expansion and improvement program.



The major additions to land improvements included the new terminal roadway, the aircraft parking apron for the new terminal building, and Taxiway S. The major additions to building improvements include completion of a new terminal building and 12 gate concourse, a co-generation plant providing heating, cooling and electric service for the Airport's terminal facilities, a new international arrivals building and a new Airport maintenance building.

### Debt

At year end, the Airport had \$258,160 in bonds outstanding versus \$263,935 last year – a decrease of 2%. The Airport has three outstanding series of bonds. These include the Series 1992 bonds – used to refund the 1982 Series issued in support of the construction of Terminal A and associated improvements, Series 2001 A issued in support of the current terminal expansion and improvement program and Series 2001 B used to refund a portion of the 1992 Series. Principal outstanding on these bonds as of June 30 is shown below:

	2003	2002	Change
□ Series 1992 -	\$46,605	50,755	(\$4,150)
□ Series 2001 A -	\$192,610	194,000	(\$1,390)
□ Series 2001B -	\$18,945	19,180	(\$ 235)
□ Total Principal Outstanding* -	\$258,160	263,935	(\$5,775)

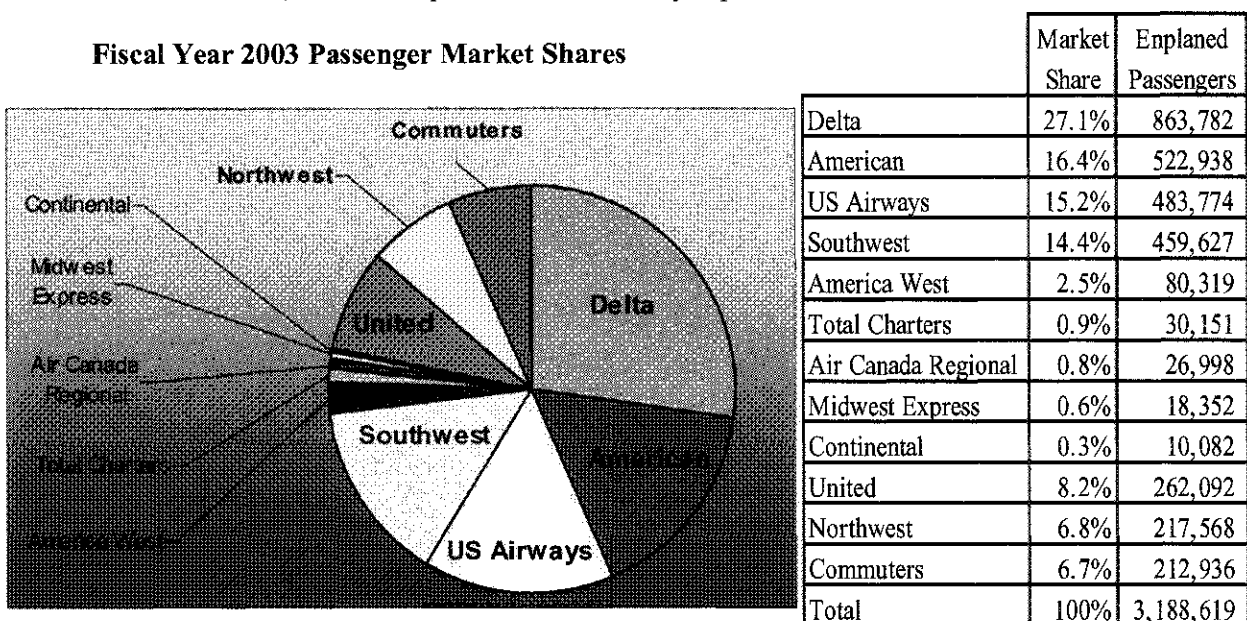
\* Less current maturities and deferred loss on refunding of \$7,680 results in revenue bonds payable of \$250,479 as of June 30, 2003. For a more detailed description of notes payable see *Note 7* in the accompanying financial statements.

## ECONOMIC FACTORS AND OUTLOOK

As noted in the MD&A for FY 2002, the airline industry has been impacted severely by the events of September 11, 2001, increased costs and lower traffic, a recession, and in some cases the airline business model itself. These economic forces continue to challenge the very future of some domestic air carriers. The potential for airline bankruptcies carries with it the potential for adverse effects on the financial performance of the Airport. However, the federal bailout and loan guarantee program provided significant financial relief for the airlines, and the industry appears to be in the beginnings of recovery. While United Airlines and US Airways filed for Chapter 11 bankruptcy in FY 2003, both airlines continue to serve the Airport. US Airways assumed its lease for Bradley during its Chapter 11 proceedings, has emerged from Chapter 11 and is repaying all of its pre-petition debts at Bradley. United remains operating in Chapter 11 at the Airport and all indications are that it will continue to serve the Airport. In FY 2003, United actually increased its market share at the Airport from 7.5% to 8.2%. Bradley International Airport continues to offer both a strong origin and destination market, and diversified air service, factors that bode well for its ability to meet these challenges.

The airline passenger market shares for fiscal year 2003 are shown below. As of June 30, 2003, American, America West, Continental, Delta, Midwest Express, Northwest, Southwest, United, US Airways, Air Canada and five additional commuter airlines, served the Airport. A total of 33 non-stop destinations were served, and the Airport offered 240 daily departures.

**Fiscal Year 2003 Passenger Market Shares**



Total enplaned passengers in fiscal year 2003 were 3,188,619, a 2% decrease from fiscal year 2002. US Airways market share reduced from 17.4% to 15.2%. American Airlines increased its market share from 15.6% to 16.4%, making it the Airport's number two carrier. Delta remained the Airport's number one carrier and increased its market share from 26.0% to 27.1%.

In FY 2003, the Airport completed substantial portions of its terminal expansion and improvement program. Completed portions include the new terminal and 12-gate concourse, associated roadway and aircraft parking areas and other facilities. The new terminal opened April 24, 2003, and by the end of the fiscal year, Southwest, Northwest and Continental airlines had commenced operating from it, with Delta Airlines to relocate shortly thereafter. Additional components of the improvement program still to be completed include the expansion of existing Concourse C and renovation of existing Terminal A.

In conjunction with this project, the air carrier operating agreement is being amended consistent with project financing requirements related to the imposition of Passenger Facility Charges and new revenue bond debt allocations. Among other changes, the amendment converts exclusive airline gate areas to preferential use, enhancing the Airport's ability to expand air service in the most efficient manner. A new



master food and beverage service concession agreement was also put in place in FY 2003, and the master retail concession agreement was amended, to provide for the construction, renovation and upgrading of terminal concessions. The new master and amended concession agreements provided the framework for significantly improved quality of service while optimizing concession revenues generated. The agreement framework, and construction phasing issues related to the renovation and expansion of Terminal A and Concourse C, is expected to have an adverse affect on concession revenues to the Airport in FY 2004, with a rebounding expected upon completion. This, coupled with projected increases in operating expenses for terminal facilities in FY 2004, is also expected to adversely affect operating income in the short term until the program is completed.

## **REQUESTS FOR INFORMATION**

This management's discussion and analysis and the following financial statements are designed to be in conformance with generally accepted accounting principles (GAAP) for governmental units as promulgated by the Governmental Accounting Standards Board (GASB). We believe that this report presents fairly the financial position of the Airport and the results of its operations for the fiscal year ended June 30, 2003. The report is consistent with full disclosure so that the reader may gain a solid understanding of the Airport's financial affairs.

This report was prepared in its entirety by the management of Bradley International Airport and we take full responsibility for the accuracy of the data and the completeness and fairness of the presentation. If you have questions or comments on how we can improve this report, please contact this office at 2800 Berlin Turnpike, Connecticut 06131 or call our office at 860-594-2558.

[THIS PAGE INTENTIONALLY LEFT BLANK]

**FINANCIAL STATEMENTS**

**BRADLEY INTERNATIONAL AIRPORT**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2003 AND 2002**

	2003	2002
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 790,949	\$ 369,661
Short-term investments	2,665,987	2,566,383
Accounts receivable, net of allowance for doubtful accounts of \$507,000 and \$412,000, respectively	3,671,567	3,478,847
Grants receivable	2,907,025	5,924,870
Restricted investments, current portion	9,634,207	9,360,053
Due from State of Connecticut General Fund	14,748,396	13,373,260
Prepaid expenses and other	891,989	517,886
Total current assets	35,310,120	35,590,960
<b>NONCURRENT ASSETS</b>		
Restricted assets		
Passenger Facility Charges:		
Cash	479,961	55,178
Charges receivable	1,705,331	2,058,601
Interest receivable	31,983	42,315
Investments	28,703,567	25,224,182
Bond Indenture:		
Interest receivable	1,302,024	2,013,027
Investments, less current portion	115,521,996	158,657,800
Total restricted assets	147,744,862	188,051,103
Capital Assets		
Land	2,657,154	2,657,154
Land improvements	174,067,919	139,777,075
Buildings and improvements	216,011,395	71,869,698
Machinery and equipment	18,740,665	17,960,698
Construction in progress	9,173,892	119,843,335
Total capital assets	420,651,025	352,107,960
Less: accumulated depreciation	116,865,874	104,957,442
Net capital assets	303,785,151	247,150,518
Deferred charges, net	6,629,780	9,985,027
Total noncurrent assets	458,159,793	445,186,648
Total assets	493,469,913	480,777,608
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Current maturities of revenue bonds payable	6,140,000	5,775,000
Accounts payable and accrued liabilities	13,038,576	8,367,959
Due to State of Connecticut General Fund	4,187,513	6,369,729
Revenue bond interest payable	3,494,207	3,585,053
Deferred revenue and other	996,609	589,665
Total current liabilities	27,856,905	24,687,406
<b>NONCURRENT LIABILITIES</b>		
Revenue bonds payable, less current maturities	250,479,228	256,452,658
Premium on revenue bonds	671,962	695,748
Total noncurrent liabilities	251,151,190	257,148,406
Total liabilities	279,008,095	281,835,812
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	106,264,087	83,683,845
Restricted for:		
Capital projects	35,358,096	37,209,041
Debt service	37,736,956	40,411,630
Bond indenture requirements	23,969,475	22,424,293
Unrestricted	11,133,204	15,212,987
Total net assets	\$ 214,461,818	\$ 198,941,796

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

**BRADLEY INTERNATIONAL AIRPORT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

	2003	2002
<b>OPERATING REVENUES</b>		
Airline Revenue		
Landing fees	\$ 11,680,525	\$ 7,221,826
Airline terminal rent	6,254,918	5,696,619
Apron and remote aircraft parking	2,616,417	2,055,768
Total airline revenue	20,551,860	14,974,213
Non-Airline Revenue		
Auto parking	8,515,716	8,340,564
Rental cars	6,183,753	6,631,682
Terminal concessions	3,697,556	4,004,989
Land rent	2,608,380	2,246,172
Other concessions	2,068,760	2,163,260
Other operating revenue	1,577,047	1,035,246
Total non-airline revenue	24,651,212	24,421,913
Total operating revenues	45,203,072	39,396,126
<b>OPERATING EXPENSES</b>		
Salaries and related expense	11,606,779	11,154,268
Contractual services	14,505,820	13,510,193
Depreciation and amortization	12,913,244	11,007,488
Energy and utilities	3,319,587	2,006,346
Other operating expense including doubtful accounts	1,821,746	1,167,014
Total operating expenses	44,167,176	38,845,309
Operating income	1,035,896	550,817
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Passenger facility charge revenue	12,907,676	13,570,598
Investment income	6,691,782	10,086,146
Bond interest expense	(10,156,451)	(11,609,133)
Total non-operating revenues	9,443,007	12,047,611
Income before capital contributions	10,478,903	12,598,428
<b>CAPITAL CONTRIBUTIONS</b>		
Change in net assets	15,520,022	24,761,200
Total net assets, beginning of year	198,941,796	174,180,596
Total net assets, end of year	\$ 214,461,818	\$ 198,941,796

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

**BRADLEY INTERNATIONAL AIRPORT**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2003 AND 2002**

	2003	2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Received from customers	\$ 44,636,249	\$ 39,657,235
Payments to employees for services	(11,929,848)	(11,899,194)
Payments to suppliers for goods and services	(14,295,792)	(15,643,453)
Net cash provided by operating activities	18,410,609	12,114,588
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Passenger facility charge receipts	12,836,163	14,050,888
Capital contributions	8,058,964	7,914,577
Capitalized interest	6,453,515	-
Received from grants	4,110,627	12,133,364
Principal paid on capital debt	(5,775,000)	(3,860,000)
Repayment of grants	(6,292,648)	(7,914,577)
Interest paid on capital debt	(14,158,521)	(15,356,313)
Acquisition of capital assets	(68,543,065)	(86,635,856)
Net cash used in capital and related financing activities	(63,309,965)	(79,667,917)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Change in State Treasurers Short-term Investment Fund	37,907,527	56,432,108
Interest on investments	7,413,117	10,968,961
Net cash provided by investing activities	45,320,644	67,401,069
Net increase (decrease) in cash	421,288	(152,260)
Cash, beginning of year	369,661	521,921
Cash, end of year	\$ 790,949	\$ 369,661
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 1,035,896	\$ 550,817
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,908,432	9,977,050
Amortization	1,004,812	1,030,438
Changes in assets and liabilities:		
Accrued liabilities	4,755,732	1,494,686
Receivables and prepaids	(245,190)	45,399
Deferred revenue	(49,073)	(983,802)
Net cash provided by operating activities	\$ 18,410,609	\$ 12,114,588

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



**BRADLEY INTERNATIONAL AIRPORT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003 AND 2002**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of Bradley International Airport (Airport) have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed in pronouncements of the Governmental Accounting Standards Board ("GASB"). Following is a summary of significant accounting policies of the Airport:

**REPORTING ENTITY**

Bradley International Airport is owned by the State of Connecticut (State) and is operated by the Bureau of Aviation and Ports of the State of Connecticut, Department of Transportation (Department) and the Board of Directors of the Airport. Under Public Act No. 81-406 of the General Assembly of the State of Connecticut, and pursuant to the Indenture of Trust (Indenture) entered into by the State of Connecticut with US Bank (formerly Fleet Bank and then State Street Bank), as trustee, dated October 1, 1982, the State issued Bradley International Airport, 1982 Series, Revenue Bonds in the aggregate principal amount of \$100,000,000. The Airport revenue bonds were issued on or after November 18, 1982; on that date the State established Bradley International Airport as an enterprise fund, thus maintaining separate accounting records for Airport operations in accordance with the Indenture. The State donated capital assets having a net book value of \$33,273,398 to the enterprise fund on November 18, 1982.

**BASIS OF PRESENTATION**

In accordance with the provisions of Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Airport has elected not to apply all Financial Accounting Standards Board Statements and Interpretations issued on or after November 30, 1989.

During 2002, Bradley International Airport implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* and Statement No. 38, *Certain Financial Statement Note Disclosures*.

There are no adjustments to net assets as a result of the above pronouncements.

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2003 AND 2002**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

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

Revenue recognition policies are as follows:

- Landing fees- Landing fees are principally generated from scheduled airlines, cargo carriers and non-scheduled commercial aviation and are based on the landed weight of the aircraft. The estimated landing fee structure is determined annually pursuant to an agreement between the Airport and the signatory airlines based on the operating budget of the Airport. Landing fees are recognized as revenue when the related facilities are utilized.
- Terminal rents and Concessions - Rental and Concession fees are generated from airlines, food and beverage, retail, rental cars, hotel, advertising and other commercial tenants. Leases are for various terms and generally require rentals based on the volume of business, with specific minimum annual rental payments required. Rental revenue is recognized over the life of the respective leases and concession revenue is recognized based on reported concessionaire revenue.
- Auto parking – Auto parking fees are generated from an agreement with a vendor to operate the Airport parking. Revenue is recognized based on a guaranteed fixed annual minimum amount per the agreement plus provisional profit sharing.
- Other- All other types of revenues are recognized when earned.

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2003 AND 2002**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**BASIS OF PRESENTATION (Continued)**

Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program of the Federal Aviation Administration, with certain matching funds provided by the Airport, or from grant programs. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred.

Grants for capital asset acquisitions, facility development and rehabilitation and eligible long-term planning studies are reported in the Statement of Revenues, Expenses and Changes in Fund Net Assets, after non-operating revenues (expenses) as capital contributions.

**CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Airport considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. The State Treasurer's Short-Term Investment Fund is excluded from cash equivalents because it is considered to be an investment. In addition, the cash balance relating to passenger facility charges is excluded from cash for purposes of the cash flow statement due to restrictions imposed on its use (*see Note 4*). The Airport had no cash equivalents at June 30, 2003 and 2002.

**INVESTMENTS**

In accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the Airport presents all investments at fair value, except for non-participating investment contracts which are recorded at accreted value.

The fair value of investments traded on public markets is determined using quoted market prices. The Airport invests in the State Treasurer's Short-Term Investment Fund, which is an investment pool managed by the State Treasurer's Office. The fair value of the Airport's position in the pool is the same as the value of the pool shares.

There were no significant investment losses for the years ended June 30, 2003 and 2002.

**RESTRICTED ASSETS**

Certain proceeds of the Airport's revenue bonds, as well as certain resources set aside for their repayment are classified as restricted assets on the Statement of Net Assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants (*see Note 7*).

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2003 AND 2002**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**CAPITAL ASSETS AND DEPRECIATION**

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, sidewalks, and similar items), are stated at cost, which includes applicable capitalized interest and expenditures of Federal Aviation Administration and State contributions in support of construction. The Airport defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year.

Maintenance and repairs that do not add to the value of the asset or materially extend its life are charged to expense as incurred, while significant renewals and betterments are capitalized.

Depreciation and amortization is computed on a straight-line basis. The estimated useful lives of the major plant, property, equipment and infrastructure classifications are as follows: land improvements, 20 to 50 years; buildings and improvements, 10 to 40 years; and machinery and equipment, 3 to 15 years. Depreciation and amortization expense relating to both purchased and contributed assets is charged against operations.

**DEFERRED CHARGES, BOND PREMIUMS, DISCOUNTS AND ISSUANCE COSTS**

Long-term debt and other noncurrent obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. Deferred bond issuance costs are amortized over the term of the related bonds on a straight-line basis, which yields results equivalent to the interest method. Deferred planning and studies costs are amortized on a straight-line basis over a period of five years. Deferred lease costs are amortized on a straight-line basis over the term of the related lease.

**COMPENSATED ABSENCES**

Employees hired on or before June 30, 1977, and managers regardless of date hired can accumulate up to a maximum of 120 vacation days. Employees hired after that date can accumulate up to a maximum of 60 days. Upon termination or death, the employee is entitled to be paid for the full amount of vacation days owed. No limit is placed on the number of sick days that an employee can accumulate. However, the employee is entitled to payment for accumulated sick time only upon retirement, or after ten years of service upon death, for an amount equal to one-fourth of his or her accrued sick leave up to a maximum payment equivalent to sixty days.

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2003 AND 2002**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**ALLOCATION OF EXPENSES**

The financial statements include certain allocations of expenses incurred jointly by the Department and the State, as follows:

Salaries of certain Bureau of Aviation and Ports management, finance and marketing personnel are attributable to all Department activities. For those specific personnel, salaries are allocated between the Airport and the Department's Transportation Fund. The salaries that were allocated to the Airport totaled approximately \$548,292 and \$667,073 for the years ended June 30, 2003 and 2002, respectively.

Fringe benefits costs, which are incurred at the State level, are applied as a percentage of salaries to all State governmental units, including the Airport. Various rates are charged for different fringe components. For the years ended June 30, 2003 and 2002, the principal rate charged was 41.45% and 44.75%, respectively, and the amount charged totaled \$3,432,278 and \$3,396,407. The costs of indirect services provided to the Airport by other units of the State, such as the Office of the State Treasurer, the Office of the State Comptroller and the Office of the Attorney General, are allocated to the Airport at a rate of 5% of Airport wages. These charges totaled \$339,070 and \$330,753 for the years ended June 30, 2003 and 2002, respectively.

**USE OF ESTIMATES**

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

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS**

**CASH DEPOSITS**

Governmental Accounting Standards Board Statement No. 3 requires governmental organizations to categorize their cash deposits into three levels of risk. Category 1 includes amounts which are insured or collateralized with securities held by the Airport or by its agent in the Airport's name. Category 2 includes amounts that are collateralized with securities held by the pledging financial institution's trust department or agent in the name of the Airport. Category 3 includes amounts which are uninsured and uncollateralized including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the name of the Airport.

For purposes of this disclosure, cash deposits include bank deposits. As of June 30, 2003 and 2002, the carrying amount of the Airport's bank deposits and the bank balance totaled \$1,270,910 and \$424,839, respectively, including the cash balance relating to passenger facility charges. As of June 30, 2003, \$100,000 was insured by the Federal Deposit Insurance Corporation (Category 1) and \$1,170,910 was uninsured and uncollateralized (Category 3), as defined by Governmental Accounting Standards Board Statement No. 3. However, all

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2003 AND 2002**

**NOTE 2 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**CASH DEPOSITS (Continued)**

bank deposits were in qualified public institutions as defined by state statute. Under this statute, any bank holding public deposits must at all times maintain, segregated from its other assets, eligible collateral in an amount equal to at least a certain percentage of its public deposits. The applicable percentage is determined based on the bank's risk-based capital ratio. The amount of public deposits is determined based on either the public deposits reported on the most recent quarterly call report, or the average of the public deposits reported on the four most recent quarterly call reports, whichever is greater. The collateral is kept in the custody of the trust department of either the pledging bank or another bank in the name of the pledging bank.

**INVESTMENTS**

Investments as of June 30, 2003 and 2002 consist of State Treasurer's Short-Term Investment Fund deposits totaling \$71,305,004 and \$72,238,914, respectively which are not required to be classified by risk category, and Federal Home Loan Bonds and other guaranteed investment contracts totaling \$ 85,220,752 and \$123,569,504, respectively which are registered in the Airport's name (Category 1).

**NOTE 3 - SHORT-TERM INVESTMENTS**

At June 30, 2003 and 2002 short-term investments consisted of unrestricted investments in the State Treasurer's Short-Term Investment Fund (*see Note 2*).

**NOTE 4 - RESTRICTED ASSETS**

Restricted assets consist of the following:

- Investments and related accrued interest receivable which are segregated into funds and accounts in accordance with various bond indentures (*Note 7*) and;
- Cash, receivables, investments and related accrued interest receivable relating to passenger facility charges, which are restricted for expenditures for federally approved Airport improvement projects (*Note 9*).

The various bond indentures restrict investments to: a) direct and general obligations of, or obligations fully or unconditionally guaranteed by, the United States of America, b) obligations issued by certain federal agencies, c) certificates in short-term investment funds created and existing under Section 3-27a of the General Statutes, d) bank time deposits evidenced by certificates issued by any bank or trust company which is a member of the Federal Deposit Insurance Corporation (FDIC) and e) with the approval of the State Treasurer, repurchase agreements with any bank or trust company insured by the FDIC.



**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2003 AND 2002**

**NOTE 5 - CAPITAL ASSETS**

Changes in capital assets for the years ended June 30, 2003 and 2002 are as follows:

	Balance, July 1, 2002	Additions	Reductions	Balance, June 30, 2003
Capital assets, not being depreciated:				
Land	\$ 2,657,154	\$ -	\$ -	\$ 2,657,154
Construction in progress	119,843,335	62,138,623	172,808,066	9,173,892
Total capital assets, not being depreciated	<u>122,500,489</u>	<u>62,138,623</u>	<u>172,808,066</u>	<u>11,831,046</u>
Capital assets, being depreciated:				
Land improvements	139,777,075	34,290,843	-	174,067,918
Buildings and improvements	71,869,698	144,141,697	-	216,011,395
Machinery and equipment	17,960,698	779,967	-	18,740,665
Total capital assets, being depreciated	<u>229,607,471</u>	<u>179,212,507</u>	<u>-</u>	<u>408,819,978</u>
Less accumulated depreciation and amortization for:				
Land improvements	62,208,689	6,633,667	-	68,842,356
Buildings and improvements	33,088,987	3,730,873	-	36,819,860
Machinery and equipment	9,659,766	1,543,892	-	11,203,658
Total accumulated depreciation and amortization	<u>104,957,442</u>	<u>11,908,432</u>	<u>-</u>	<u>116,865,874</u>
Total capital assets, being depreciated, net	<u>124,650,029</u>	<u>167,304,075</u>	<u>-</u>	<u>291,954,104</u>
Capital assets, net	<u>\$ 247,150,518</u>	<u>\$ 229,442,698</u>	<u>\$ 172,808,066</u>	<u>\$ 303,785,151</u>
	Balance, July 1, 2001	Additions	Reductions	Balance, June 30, 2002
Capital assets, not being depreciated:				
Land	\$ 2,657,154	\$ -	\$ -	\$ 2,657,154
Construction in progress	33,930,123	87,619,658	1,706,446	119,843,335
Total capital assets, not being depreciated	<u>36,587,277</u>	<u>87,619,658</u>	<u>1,706,446</u>	<u>122,500,489</u>
Capital assets, being depreciated:				
Land improvements	139,268,607	508,468	-	139,777,075
Buildings and improvements	71,832,445	37,253	-	71,869,698
Machinery and equipment	17,789,649	176,923	5,874	17,960,698
Total capital assets, being depreciated	<u>228,890,701</u>	<u>722,644</u>	<u>5,874</u>	<u>229,607,471</u>
Less accumulated depreciation and amortization for:				
Land improvements	56,354,950	5,853,739	-	62,208,689
Buildings and improvements	30,623,550	2,465,437	-	33,088,987
Machinery and equipment	8,007,766	1,657,874	5,874	9,659,766
Total accumulated depreciation and amortization	<u>94,986,266</u>	<u>9,977,050</u>	<u>5,874</u>	<u>104,957,442</u>
Total capital assets, being depreciated, net	<u>133,904,435</u>	<u>(9,254,406)</u>	<u>-</u>	<u>124,650,029</u>
Capital assets, net	<u>\$ 170,491,712</u>	<u>\$ 78,365,252</u>	<u>\$ 1,706,446</u>	<u>\$ 247,150,518</u>

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2003 AND 2002**

**NOTE 6 - DEFERRED CHARGES**

Deferred charges are comprised of the following:

	<u>2003</u>	<u>2002</u>
Deferred bond issuance costs	\$5,593,158	\$5,593,158
Deferred capitalized interest	314,257	2,707,947
Deferred lease costs	2,429,641	2,429,641
Deferred planning and studies	<u>3,295,399</u>	<u>3,246,325</u>
	11,632,455	13,977,071
Less: accumulated amortization	<u>5,002,675</u>	<u>3,992,044</u>
	<u>\$6,629,780</u>	<u>\$9,985,027</u>

Costs incurred in connection with the issuance of Airport revenue bonds are being amortized over the life of the bonds.

The carrying value of an Airport building that was demolished in order for a concessionaire to build its facility on the site and for which ownership of the facility reverts to the Airport at the end of the lease term is being amortized over the life of the lease.

The cost of developing the master plan for the Airport improvement project and the cost of other plans and studies are being amortized over five years.

**NOTE 7 - LONG-TERM OBLIGATIONS**

**CHANGES IN LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the years ended June 30, 2003 and 2002:

	<u>Balance, July 1, 2002</u>	<u>Issuances and other Increases</u>	<u>Retirements and Other Decreases</u>	<u>Balance, June 30, 2003</u>
Revenue bonds payable	\$263,935,000	\$ -	\$ 5,775,000	\$258,160,000
Deferred loss on refunding	(1,707,342)	166,570	-	(1,540,772)
Unamortized premium revenue bonds	695,748	-	23,786	671,962
	<u>\$262,923,406</u>	<u>\$ 166,570</u>	<u>\$ 5,798,786</u>	<u>\$257,291,190</u>

	<u>Balance, July 1 2001</u>	<u>Issuances and other Increases</u>	<u>Retirements and Other Decreases</u>	<u>Balance, June 30, 2002</u>
Revenue bonds payable	\$284,395,000	\$ -	\$ 20,460,000	\$263,935,000
Deferred loss on refunding	-	-	1,707,342	(1,707,342)
Unamortized premium revenue bonds	719,534	-	23,786	695,748
	<u>\$285,114,534</u>	<u>\$ -</u>	<u>\$ 22,191,128</u>	<u>\$262,923,406</u>

**BRADLEY INTERNATIONAL AIRPORT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
JUNE 30, 2003 AND 2002**

**NOTE 7 - LONG-TERM OBLIGATIONS (Continued)**

**AIRPORT REVENUE BONDS**

A summary of Airport revenue bonds outstanding as of June 30, 2003 and 2002 is as follows:

<u>Description</u>	<u>Interest rates</u>	<u>June 30, 2003</u>	<u>June 30, 2002</u>
Series 1992 (Post refinancing)	7.40-7.65%	\$ 46,605,000	\$ 50,755,000
Series 2001A	3.50-5.25%	192,610,000	194,000,000
Series 2001B	3.25-4.30%	<u>18,945,000</u>	<u>19,180,000</u>
Principal outstanding		258,160,000	263,935,000
Less: current maturities		6,140,000	5,775,000
deferred loss on refunding		<u>1,540,772</u>	<u>1,707,342</u>
Long-term portion		<u>\$250,479,228</u>	<u>\$256,452,658</u>

**SERIES 1992**

On October 1, 1992 the Airport redeemed its Bradley International Airport, 1982 Series Revenue Bonds through the issuance of Airport Revenue Refunding Bonds, Series 1992 in the amount of \$94,065,000. The bonds are secured by and payable solely from the gross operating revenues generated by the State from the operation of the Airport and other receipts, funds or monies pledged in the bond indenture.

**SERIES 2001A**

On March 1, 2001 the Airport issued Bradley International Airport Revenue Bonds, Series 2001A in the amount of \$194,000,000. The bonds are secured by and payable solely from the gross operating revenues generated by the State from the operation of the Airport and other receipts, funds or monies pledged in the bond indenture, including a portion of the Airport's Passenger Facility Charges Revenue.

**SERIES 2001B**

The Airport issued Bradley International Airport Revenue Refunding Bonds, Series 2001B in the amount of \$19,180,000. The bonds are secured by and payable solely from the gross operating revenues generated by the State from the operation of the Airport and other receipts, funds or monies pledged in the bond indenture.

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2003 AND 2002**

**NOTE 7 - LONG-TERM OBLIGATIONS (Continued)**

**DEBT SERVICE FUND (Continued)**

A debt service fund has been established in accordance with the various bond indentures to provide for payment of principal at maturity and semi-annual interest payments due on April 1 and October 1 of each year. The annual principal payments and interest of these bonds are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 6,140,000	\$ 15,052,526	\$ 21,192,526
2005	8,780,000	14,609,499	23,389,499
2006	9,280,000	14,086,636	23,366,636
2007	9,845,000	13,500,411	23,345,411
2008	10,465,000	12,870,421	23,335,421
2009-2013	62,650,000	50,551,811	113,201,811
2014-2018	31,380,000	34,889,238	66,269,238
2019-2023	38,535,000	25,718,619	64,253,619
2024-2028	40,410,000	15,812,419	56,222,419
2029-2032	<u>40,675,000</u>	<u>4,302,822</u>	<u>44,977,822</u>
	<u>\$ 258,160,000</u>	<u>\$ 201,394,402</u>	<u>\$459,554,402</u>

Pursuant to the various bond indentures, certain accounts have been established and maintained in the custody of the Trustee into which bond proceeds, operating revenues, and investment earnings are deposited. The disbursement of funds from these accounts for the cost of facilities, and debt service are provided for in the various indentures. Amounts on deposit at June 30, 2003 and 2002 are carried as restricted assets in the accompanying statement of net assets (see Note 4).

**DEBT REFUNDINGS**

In March of 2001, the Airport issued \$19,180,000 of refunding bonds with an average interest rate of 4.25% to advance refund \$16,600,000 of revenue bonds with an average interest rate of 7.65%.

The proceeds of the refunding bonds were used to purchase U.S. Government securities, which were deposited in an irrevocable trust with an escrow agent to provide for all future payments on the refunded bonds. Thus, the refunded bonds are considered defeased and the liability for those bonds has been excluded from the accompanying financial statements. The State advance refunded these bonds to reduce its total debt service payments over the next eleven years by \$3,336,372 and to obtain an economic gain (difference between the present values of the debt service payments of the old and new bonds) of \$2,834,139.

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2003 AND 2002**

**NOTE 8 - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities consist of the following as of June 30, 2003 and 2002:

	2003	2002
Accounts payable --construction	\$ 6,832,730	\$2,747,043
Accrued payroll	2,188,303	2,142,766
Accrued operating expenses	3,441,850	1,784,808
Accounts payable --projects	523,647	1,633,164
Accounts payable -debt service	52,046	60,178
	<u>\$13,038,576</u>	<u>\$8,367,959</u>

**NOTE 9 - RESTRICTED REVENUE**

The following passenger facility charge revenue and investment income earned thereon is restricted for expenditures for federally approved Airport improvement projects:

	2003	2002
Passenger facility charge	\$12,907,676	\$13,570,598
Interest income	423,465	566,167
	<u>\$13,331,141</u>	<u>\$14,136,765</u>

**NOTE 10 - LEASES**

Substantial amounts of real property of the Airport are leased to various airlines and other tenants. The leases consist of month-to-month, cancelable space and use permits and noncancellable operating leases for land, buildings and terminal space. The leases expire over the next 31 years.

Future minimum rental income on noncancellable operating leases for the next five years is as follows:

Year ending June 30,	
2004	\$23,133,097
2005	20,772,062
2006	19,598,002
2007	19,970,624
2008	20,314,412
	<u>\$103,788,197</u>

Future minimum rental income for fiscal years ending June 30, 2004 through June 30, 2008 are estimated amounts based on 2003 rates because rental rates for some tenants are not currently determinable for these years.

**BRADLEY INTERNATIONAL AIRPORT**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**JUNE 30, 2003 AND 2002**

**NOTE 11 - RETIREMENT PLAN**

Certain employees of the Airport participate in the State Employees' Retirement System ("SERS") which is administered by the State Employees' Retirement Commission. The Airport has no liability for these pension costs other than the annual contribution, pursuant to Public Act 83-30 of the June 1983 Special Session of the General Assembly of the State of Connecticut as amended to date. In addition, the actuarial study was performed on the Plan as a whole and does not provide separate information for employees of the Airport. Therefore, certain pension disclosures cannot be provided. Information on the total Plan funding status and progress, required contributions and trend information can be found in the State of Connecticut's Comprehensive Annual Financial Report.

The Airport's contribution is determined by applying a State mandated percentage to eligible salaries and wages. The contribution made by the Airport totaled \$1,759,250 and \$1,700,113 for the years ended June 30, 2003 and 2002.

**NOTE 12 - RELATED PARTY TRANSACTIONS**

The State of Connecticut is responsible for processing the Airport's payroll, accounts payable and purchasing. Funds are transferred to the State on a monthly basis for this purpose.

As described in Note 1, certain expenses, which are incurred directly by the State, are allocated to the Airport. As of June 30, 2003 and 2002, the liability for these expenses due to the State totaled \$339,070 and \$330,753, respectively, and is included in accounts payable and accrued liabilities in the accompanying Statement of Net Assets.

In addition, the Airport receives certain grants and revenues on behalf of the State. Such amounts are remitted to the State on a regular basis.

**NOTE 13 - POSTRETIREMENT BENEFITS**

As employees of the State of Connecticut, the Airport's personnel are eligible to receive postretirement medical and life insurance coverage. The accounting for and funding of these benefits is done on a cash basis.

The cost of these benefits to the Airport for the year ended June 30, 2003 and 2002 cannot be determined because the Airport is charged for all fringe benefits by the State based upon a percentage of Airport payroll as described in Note 1.

**NOTE 14 - RISK MANAGEMENT**

The Airport is subject to normal risks associated with its operations including property damage, personal injury and employee dishonesty. With the exception of certain vehicle-related liabilities for which the State retains some risk, all other risks are managed through the purchase of commercial insurance as required by the various bond indentures. There have been no losses exceeding insurance coverage during the last three years.



**SUPPLEMENTAL INFORMATION**

[THIS PAGE INTENTIONALLY LEFT BLANK]

SCHEDULE 1

**BRADLEY INTERNATIONAL AIRPORT  
SCHEDULE OF PASSENGER FACILITY CHARGE EXPENDITURES  
FOR THE QUARTERS ENDED SEPTEMBER 30, 2002, DECEMBER 31, 2002  
MARCH 31, 2003 AND JUNE 30, 2003  
AND FOR THE YEAR ENDED JUNE 30, 2003**

Project Description	Cumulative Expenditures Through June 30, 2002	Net Expenditures for the Quarter Ended				Cumulative Expenditures Through June 30, 2003	Approved Amount
		September 30, 2002	December 31, 2002	March 31, 2003	June 30, 2003		
Terminal building and concourse	\$ -	\$ -	\$ -	\$ -	\$ -	-	a \$ 170,043,943
Purchase and install jetways	-	-	-	-	-	-	b 23,810,109
Terminal building apron	-	-	-	-	-	-	c 30,335,985
Terminal roadways and glycol piping	-	-	-	-	-	-	d 7,757,391
Debt service payments	1,679,142	1,743,888	-	-	1,433,383	4,856,413	***
	<u>1,679,142</u>	<u>1,743,888</u>	-	-	<u>1,433,383</u>	<u>4,856,413</u>	<u>231,947,428</u>
New aircraft ramps	1,226,394	-	-	-	-	1,226,394	1,490,000
Terminal B roadway system	3,036,483	-	-	-	-	3,036,483	3,073,000
Peak Mountain lights	715,438	-	-	-	-	715,438	716,000
Design of glycol collection system	1,754,952	-	3,700	-	19,856	1,778,508	2,000,000
Snow removal equipment	1,574,555	-	274,336	-	-	1,848,891	1,848,891
Security fencing	306,448	-	-	-	-	306,448	335,000
New firehouse	358,705	-	-	-	-	358,705	360,000
Remote ramp lights	471,174	-	-	-	-	471,174	600,000
New maintenance garage	2,643,905	2,316,683	555,766	513,460	-	6,029,814	6,257,923
Taxiway S East	3,284,047	555,302	337,915	55,467	-	4,232,731	4,400,000
ARFF 300 Gal	-	-	-	-	-	-	1,102,000
Security Improvements and Training System	-	-	1,475,837	67,119	437,866	1,980,822	3,050,000
	<u>\$ 17,051,243</u>	<u>\$ 4,615,873</u>	<u>\$ 2,647,554</u>	<u>\$ 636,046</u>	<u>\$ 1,891,105</u>	<u>\$ 26,841,821</u>	<u>\$ 257,180,242</u>

29

\*\*\* Represents the debt service on items a,b,c,and d which are being funded with the proceeds of the \$194,000,000 Series 2001A Bonds

**BRADLEY INTERNATIONAL AIRPORT  
INSURANCE COVERAGE  
JUNE 30, 2003  
(Unaudited)**

Type of Insurance	Property Covered	Amount of Coverage
Comprehensive Crime Policy - Employee	Employee dishonesty bond on State employees.	\$1,000,000 limit, \$100,000 deductible.
	Burglary, robbery, hold-up, etc. (disappearance or destruction of money or securities only).	\$500,000 limit, \$100,000 deductible.
Blanket Property Insurance	Fire and extended coverage on all State facilities.	Blanket limit subject to a \$1 billion any one occurrence sublimit, \$100 million sublimit for earthquake and flood, \$250,000 deductible per occurrence, \$1 million terrorism sublimit, and \$2 million sublimit for flood/surface water below grade.
	Business interruption coverage for Bradley International Airport.	Business interruption coverage subject to a \$65,000,000 sublimit and \$250,000 deductible per occurrence.
Automobile Physical Damage Policy	Comprehensive and Collision coverage provided to scheduled state-owned vehicles valued over \$100,000 or leased vehicles.	Subject to a \$2,500 deductible.
State Automobile Liability	State owned and leased vehicles.	\$16,000,000 combined limit of liability in excess of \$4,000,000 self-insured retention.
Commercial General/Malpractice Liability	Coverage includes the paramedics working at Bradley International Airport.	\$16,000,000 each occurrence in excess of \$4,000,000 self-insured retention.
Airport Liability	All airports.	\$100,000,000 for bodily injury, property damage, personal injury and medical malpractice, each occurrence and in the aggregate. War and terrorism exclusion.
		\$25,000,000 advertisers liability aggregate limit.
		\$30,000,000 hangarkeepers legal liability.
		\$100,000 deductible per occurrence and in the aggregate for all of the above.

**INTERNAL CONTROL AND COMPLIANCE REPORTS**

[THIS PAGE INTENTIONALLY LEFT BLANK]



Paul E. DiSanto, CPA  
Alfred W. Bertoline, CPA  
Richard M. Hoyt, Jr., CPA, PFS  
Scott A. Trenholm, CPA  
Jay J. Rasmus, CPA, PFS, MST  
Paul R. Filippetti, CPA  
William C. Sherman, CPA, MST  
Dana A. Wilson, CPA



628 Hebron Ave., Bldg. #3  
Glastonbury, Connecticut 06033  
Phone: 860-659-1338

4 Fort Hill Road  
Groton, Connecticut 06340  
Phone: 860-445-8353

[www.dbo.com](http://www.dbo.com)

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

Mr. James F. Byrnes, Jr.  
Acting Commissioner  
State of Connecticut Department of Transportation

Mr. L. Scott Frantz  
Chairman  
Board of Directors  
Bradley International Airport

We have audited the financial statements of Bradley International Airport (an enterprise fund of the State of Connecticut), (the Airport) as of and for the year ended June 30, 2003, and have issued our report thereon dated October 15, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

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

**Internal Control Over Compliance**

In planning and performing our audit, we considered the Airport's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management of the Airport and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

*DiSanto Berkshire + Company, P.C.*

Glastonbury, Connecticut  
October 15, 2003

Paul E. DiSanto, CPA  
Alfred W. Bertoline, CPA  
Richard M. Hoyt, Jr., CPA, PFS  
Scott A. Trenholm, CPA  
Jay J. Rasmus, CPA, PFS, MST  
Paul R. Filippetti, CPA  
William C. Sherman, CPA, MST  
Dana A. Wilson, CPA



628 Hebron Ave., Bldg. #3  
Glastonbury, Connecticut 06033  
Phone: 860-659-1338

4 Fort Hill Road  
Groton, Connecticut 06340  
Phone: 860-445-8353

[www.dbrco.com](http://www.dbrco.com)

## **REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE**

Mr. James F. Byrnes, Jr.  
Acting Commissioner  
State of Connecticut Department of Transportation

Mr. L. Scott Frantz  
Chairman  
Board of Directors  
Bradley International Airport

### Compliance

We have audited the compliance of Bradley International Airport (an enterprise fund of the State of Connecticut) (the Airport) with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration (Guide), for its passenger facility charge program for the year ended June 30, 2003. Compliance with the requirements of laws and regulations applicable to its passenger facility charge program is the responsibility of the Airport's management. Our responsibility is to express an opinion on the Airport's compliance based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the Guide. Those standards and the Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the passenger facility charge program occurred. An audit includes examining, on a test basis, evidence about the Airport'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 Airport's compliance with those requirements.

In our opinion, Bradley International Airport complied, in all material respects, with the requirements referred to above that are applicable to its passenger facility charge program for the year ended June 30, 2003.

### Internal Control Over Compliance

The management of Bradley International Airport is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations applicable to the passenger facility charge program. In planning and performing our audit, we considered the Airport's internal control over compliance with requirements that could have a direct and material effect on the passenger facility charge program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with the Guide.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to the passenger facility charge program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management of the Airport, and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

*D. Santo Bertolini & Company, P.C.*

Glastonbury, Connecticut  
October 15, 2003

## APPENDIX B

### Summary of Airline Operating Agreements

#### Operating Agreements Entered into by Airlines

*This section is a summary of certain provisions of such Operating Agreements. The summary does not purport to be complete or to follow the exact language of the Operating Agreements and is subject in all respects to the detailed provisions thereof copies of which will be available for inspection at the office of the Commissioner of the Connecticut Department of Transportation.*

#### Definitions

“*Airfield Area*” means those portions of the Airport and related facilities, exclusive of hangars, hangar ramps, cargo buildings, cargo ramps, buildings and building areas (other than the crash, fire and rescue building and the control tower).

“*Airport Audit*” means a required audit of the books and accounts of the Airport conducted by an independent certified public accountant of recognized standing.

“*Airport Fiscal Year*” means the twelve (12) month period commencing on July 1 of each year and expiring on June 30 of the calendar year next ensuing, or such other period as designated by the State in accordance with law, with appropriate compensating adjustments, i.e., annualizing any period less than twelve (12) months.

“*Airport Operating Budget*” means the budget of Airport costs and expenses adopted with respect to each Airport Fiscal Year pursuant to Conn. Gen. Stat. § 15-101m (or otherwise as provided by law), and consists of the Operating Expense Budget and the Capital Improvement Budget.

“*Airport Revenues*” means all the income, revenues, cash, accounts receivable and moneys derived by the State from any source whatsoever with respect to the operation of the Airport for the furnishing and supplying of the services, facilities and commodities thereof. The term “*Airport Revenues*” does not include tax receipts or moneys received as the proceeds of the Bonds or as grants or gifts, the use of which is limited by the grantor or donor to special projects or purposes not benefitting the public at the Airport generally, except to the extent that any such moneys are received as payments for the use of the Airport.

“*Annual Debt Service*” means the sum of principal amortization requirements (including premium, if any) and interest payments being or becoming due and payable by the State during any Airport Fiscal Year with respect to the Bonds. The Landing Fees and Terminal Building Rental rates in effect for the Initial Period include all debt service (including principal, sinking fund installments and premiums, if any, and interest) properly allocable to the Signatory Airlines with respect to the Bonds. The following shall be considered Annual Debt Service: (1) a onetime coverage payment, required in the first full Airport Fiscal Year following completion of the premises to be leased by the Airline pursuant to the Capital Improvement Program in order to pay the Airline’s pro rata share (based on debt service on State revenue obligations issued under the Indenture) of a special Airport Coverage Account established under the Indenture in

connection with the 1.25 times coverage requirement imposed therein; and (2) any subsequent payments representing the Airline's pro rata share of the amount necessary to replace any withdrawals from said Airport Coverage Account made (i) to pay debt service when amounts available in the Bond Service Account, Improvement Fund and General Airport Fund established under the Indenture are sufficient for this purpose, or (ii) for Airport improvements which have received necessary Majority-in-Interest approval.

*"Apron Area"* means the aircraft parking and maneuvering areas adjacent to the Terminal Building.

*"Baggage Claim Area"* means those portions of the Airport and related facilities, providing for the collection, transport, handling and distribution of passenger baggage and related items.

*"Capital Improvement"* means, for any Airport Fiscal Year, (a) any item purchased or constructed for use in the Airfield Area Cost Center or Apron Area Cost Center which has a useful life of five (5) years or more, or which can extend the useful life of any existing asset included within the Airfield Area Cost Center or Apron Area Cost Center for a period of five (5) years or more, all as determined by the Cost Accounting System, and (b) any item purchased or constructed for use in the Terminal Building Cost Center which has a useful life of three (3) years or more, or which can extend the useful life of any existing asset included within the Terminal Building Cost Center for a period of three (3) years or more, all as determined by the Cost Accounting System.

*"Capital Improvement Budget"* means that portion of the budget of Capital Improvement costs and expenses to be expensed during an Airport Fiscal Year and adopted in conjunction with the Airport Operating Budget for such Airport Fiscal Year.

*"Capital Improvement Program"* means those expansions, improvements and renovations to the Airport described in Exhibit E to the Operating Agreement, and includes the Capital Improvement Project described in Exhibit K to the Operating Agreement.

*"Construction Costs"* means the necessary and desirable costs and expenses pertaining or incident to the acquisition or construction of Capital Improvements, including all costs and expenses of the Capital Improvement Program.

*"Consulting Engineer"* means CE Maguire, Inc., or in case CE Maguire, Inc. ceases to serve as Consulting Engineer, such other architectural/engineering firm as may be selected by the State for purposes of the Operating Agreement, which is to be a firm specializing in and having a favorable reputation for the design and engineering of airports.

*"Cost Accounting System"* means the specific accounting system prepared by Arthur Andersen & Company and adopted by the State for the collection, allocation and reporting of the capital expenditures, revenues, operating expenses, assets and liabilities of the State with respect to the Airport and its operations. The Cost Accounting System is to be established and operated pursuant to generally accepted accounting principles for airports consistently applied.

*"Cost Center"* means any one of the Airport cost areas identified in connection with the Cost Accounting System.



*“Majority-in-Interest”* as of any date means at least fifty percent (50%) in number of the Signatory Airlines which account for more than fifty percent (50%) of aggregate Revenue Aircraft Arrival Weight landed at the Airport during the immediately preceding calendar year.

*“Maximum Landing Weight”* means the maximum certified landing weight-approved by the FAA for aircraft landing at the Airport.

*“Operating Expense Budget”* means the budget of Operating Expenses for an Airport Fiscal Year adopted in conjunction with the Airport Operating Budget.

*“Operating Expenses”* means the reasonable, necessary and verifiable current expenses of the State, paid or accrued in accordance with the Cost Accounting System in administering, operating, maintaining, and repairing the Airport. Without limiting the generality of the foregoing, the term Operating Expenses includes (a) costs of collecting Airport Revenues and of making any refunds therefrom lawfully due others; (b) engineering, audit reports, legal and other overhead expenses directly related to the administration, operation, maintenance and repair of the Airport; (c) costs of salaries, wages and other compensation of officers and employees with respect to the Airport, including all legally required payments to pension, retirement, health and hospitalization funds and other insurance, including self-insurance, if any, for the foregoing provided that the aggregate cost of such services with respect to the non-managerial personnel shall not be greater than that incurred with respect to other employees of the State providing similar services; (d) costs of routine maintenance, repairs, replacements, renewals and alterations not constituting Capital Improvements occurring in the usual course of business, which may include expenses not annually recurring; (e) taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed on the Airport or any part thereof or on the operation thereof, subject to any right the Airline may have to protest the same; (f) costs of utility services; (g) the costs and expenses of management services and general administrative overhead of the State allocable to the Airport; (h) costs of equipment, materials and supplies used in the ordinary course of Airport business not constituting Capital Improvements, including ordinary and current rentals of equipment or other property; (i) costs of fidelity bonds, or a properly allocable share of the premium of any blanket bond, directly pertaining to the Airport or Airport Revenues or any other moneys held under the Indenture, as amended or supplemented from time to time, or required to be held or deposited thereunder; (j) costs of carrying out the provisions of the Indenture, as amended or supplemented from time to time to permit the acquisition and construction of Capital Improvements or the Capital Improvement Program, including trustee’s and paying agent’s fees and expenses, costs of insurance required thereby, or a properly allocable share of any premium of any blanket policy pertaining to the Airport or Airport Revenues, and costs of recording, mailing and publication; (k) Annual Debt Service; (l) all other costs and expenses of administering, operating maintaining and repairing the Airport arising in the routine and normal course of business; and (m) any costs and expenses related to the Airport required to be paid (and reserves required to be kept) in accordance with the Cost Accounting System. Operating Expenses do not include Bond interest charges greater than those dictated by actual bond issues, depreciation on those facilities financed with Bonds or other contributions, nor any charge representing a return on any capital investment whatsoever. Notwithstanding the foregoing, the State may include other items of cost in the Operating Expense Budget, provided no such additional items not enumerated above are included in computing the rates, rents, fees and charges of the Airline.

“*Preferential Use Space*” means those portions of the Terminal Building and Apron Area assigned to the Airline on a preferential use basis which the Airline has a right to use but which the State or Airline may authorize others to use when not in use by the Airline, subject to the terms and conditions contained in Article XX of the Operating Agreement.

“*Revenue Aircraft Arrival*” means the landing at the Airport of any and all aircraft owned, leased or operated by any air carrier or airline, that arrives at or departs from the Airport with passengers, cargo or mail and as more particularly described in the Operating Agreement.

“*Signatory Airlines*” means those airlines conducting regularly scheduled commercial flights at the Airport under agreements with the State substantially similar to the Operating Agreement.

“*Unified Terminal Building*” means the combination and consolidation of Terminal A, Concourse C and the new terminal and the new east concourse both constructed as part of the Capital Improvement Project into one unified and homogeneous structure, excluding the existing Murphy Terminal, Concourse A and B and the existing International Arrivals Building hereinafter the "Existing Terminal".

“*User*” means, with respect to Airport facilities, any Signatory Airline and any other person or entity having the right to utilize such facilities by virtue of a lease or other arrangement.

## **Term**

The term of the Airline Operating Agreements is July 1, 1981 to June 30, 2011, unless sooner terminated.

## **Use of Airport**

A Signatory Airline is permitted to use the Airport in common with others so authorized, for, among other things, the operation of an air transportation system, the repair, maintenance, and storage of aircraft, the training of personnel, and the sale of aircraft and equipment and supplies related thereto.

## **Space in Airport**

A Signatory Airline leases exclusive, preferential or joint space in the Terminal Building, in the Apron Area and in the Baggage Claim Area as provided in its Operating Agreement.

## **Rates, Rents, Fees and Charges**

*Terminal Building Rentals.* In establishing Terminal Building Rental rates for the Unified Terminal Building and the Existing Terminal, the State shall recalculate the Gross Space within the Terminal Building as defined in the Operating Agreement, so as to deduct therefrom the Terminal Building areas temporarily or permanently removed from service, and to add thereto the Terminal Building areas temporarily or permanently put into service, pursuant to the Capital Improvement Project ("Adjusted Gross Space"). The State shall divide such Adjusted Gross Space into projected total Operating Expenses (excluding Annual Debt Service) properly

allocable to the Terminal Building Cost Center for the applicable period, and thus determine a cost per square foot of Adjusted Gross Space in the Terminal Building except that the rate for the Existing Terminal and the Unified Terminal shall include Annual Debt Service allocated pursuant to Exhibit N to the Operating Agreement. Annual Debt Service properly allocable to the Unified Terminal Building includes a Transfer Debt Component, a New Revenue Bond Debt Service Component and all debt service allocated to Terminal A and Concourse C under the Capital Improvement Program as further set forth in Exhibit N to the Operating Agreement. The total cost per square foot so calculated shall be multiplied by the total Terminal Building space to be used on an exclusive or preferential use basis by the Airline during such period.

*Landing Fees.* A Signatory Airline pays Landing Fees computed as follows: For each Landing Fee payment period, total Landing Fees payable by such Airline is determined by multiplying the Landing Fee coefficient (calculated as explained below) for the then current Airport Fiscal Year times the Airline's total landed weight at the Airport for that period (i.e., the total Revenue Aircraft Arrivals for the period attributable to the Airline times the Maximum Landing Weight for each such arrival). The Landing Fee coefficient for any Airport Fiscal Year is calculated as follows, based on the estimated figures included in the Airport Operating Budget for such Airport Fiscal Year: (i) Total aircraft arrivals for all Signatory Airlines stated as a percentage of total aircraft arrivals for all Users of the Airport (the "frequency factor"); (ii) Total gross landed weight (i.e., total aircraft arrivals times Maximum Landing Weight for each such arrival) for all Signatory Airlines stated as a percentage of total gross landed weight for all Users of the Airport (the "weight factor"); (iii) The total costs and expenses properly allocable to the Airfield Area Cost Center under the Airport Operating Budget is then multiplied by the expression  $\{.35 \times \text{weight factor} + .65 \times \text{frequency factor}\}$ , to arrive at the Signatory Airlines' total share of such costs and expenses (the "allocable cost"); (iv) The allocable cost is divided by the total landed weight for all Signatory Airlines, to arrive at the Landing Fee coefficient.

*Baggage Claim Area Charge.* During the term of its Operating Agreement, a Signatory Airline pays a baggage claim area charge determined as follows: The total square footage of the Baggage Claim Area is multiplied by the cost per square foot of Terminal Building space. The portion of such cost allocated to and payable by such Airline is calculated as follows: Twenty percent (20%) of the total costs allocable to the Baggage Claim Area is divided equally among all Users of the Baggage Claim Area and the remaining eighty percent (80%) of such costs is allocated to such Users in proportion to the number of enplaning passengers attributable to each User as a percentage of the total number of enplaning passengers attributable to all Users, for the preceding month. Such charge is based on the estimated number of enplaning passengers included in the Airport Operating Budget for the period, and is adjusted monthly as final figures become available.

*Apron Area Rentals.* An Airline pays an Apron Area Rental determined as follows: The total Operating Expenses properly allocable to the Apron Area Cost Center for such period is divided by the linear feet of the Apron Area. The cost per linear foot so calculated is then multiplied by the total linear feet of Apron Area space to be leased by the Airline during such period.

## **Payment of Rents, Fees and Charges**

A Signatory Airline transmits to the State (1) on the first day of each month that portion of the Terminal Building Rentals and Apron Area Rentals equal to one-twelfth (1/12) of the annual charge for the then current Airport Fiscal Year and (2) on the fifteenth day of each month payment for the preceding month's Landing Fees. A Signatory Airline pays its Baggage Claim Area Charge the first day of each month.

## **Reports**

A Signatory Airline submits to the State on the 15<sup>th</sup> day of each month a report which includes (i) the Revenue Aircraft Arrivals by type of aircraft and (ii) the number of enplaning passengers, for such preceding month. In addition, within 120 days prior to the commencement of each Airport Fiscal Year, a Signatory Airline provides the State with an estimate of its total landed weight for the next ensuing Airport Fiscal Year. This information is used by the State in establishing a Signatory Airline's Landing Fees and Baggage Claim Area Charge.

## **Adoption of Operating Budget**

Within ninety days prior to the beginning of each Airport Fiscal Year beginning with the Airport Fiscal Year commencing July 1, 1983, the State is to provide the Signatory Airlines with a copy of its proposed Airport Operating Budget for such ensuing Airport Fiscal Year, which proposed Airport Operating Budget is to incorporate (i) a schedule of rates, rents, fees and charges for such Airport Fiscal Year, and (ii) estimates made by the State of total arrivals, total Revenue Aircraft Arrivals and total enplaning passengers for each Signatory Carrier and for all Users, for such Airport Fiscal Year. Each Signatory Airline is to review such proposed Airport Operating Budget and provide its comments to the State within sixty days prior to the beginning of the ensuing Airport Fiscal Year. Within forty-five days prior to the beginning of each such Airport Fiscal Year, if the Signatory Airlines (or any of them) has an unresolved dispute with the State regarding the Airport Operating Budget, then such Signatory Airline or Airlines is or are entitled to meet with the Commissioner of Transportation of the State to discuss such disagreement. If, after such a meeting, a Majority-in-Interest of the Signatory Airlines does not approve the resulting proposed schedule of rates, rentals, fees and charges within thirty-five days prior to the beginning of the Airport Fiscal Year, the State may do one of the following: (a) it may adjust the rates, rentals, fees and charges to a point where a Majority-in-Interest of the Signatory Airlines approves thereof, or (b) it may adopt said schedule of rates, rentals, fees and charges and collect the same from the Signatory Airlines. Pending a final determination in any action or proceeding brought by or on behalf of any or all of the Signatory Airlines challenging such rates, rentals, fees or charges, each Signatory Airline will make payment at the rates established by the State and the State agrees to cause the increment between the prior rates, rents, fees and charges and the invoiced rates, rents, fees and charges to be held in escrow in an interest-bearing account pending the aforesaid final determination. The principal so deposited in escrow will be paid to the State and/or the Signatory Airline or Airlines in accordance with the terms of said final determination, and the earnings on said amount are to be paid to the State and/or the Signatory Airline or Airlines on a pro rata basis in accordance with the division of the escrowed principal.

## **Operating Expenses in Excess of Amounts Budgeted**

A Signatory Airline is to pay its properly allocable share of any items, other than Capital Improvements, which were not included in the then current Airport Operating Budget, without such items having been approved by a Majority-in-Interest if such expenditure is to pay for an emergency repair which, if not made, would have the effect of closing the Airport to scheduled airlines' flight operations within forty-eight hours; or will not exceed certain specified dollar limits with respect to each of the Terminal Building, Airfield and Apron Areas; or are extraordinary snow and ice removal expenses.

## **Annual Carry Forward of Expense Surpluses and Deficits**

If in any Airport Fiscal Year the State fails through the imposition of its rates, rents, fees and charges to recover the full amount of the costs properly allocable to each Airline during such Airport Fiscal Year on account of its use of the facilities of the Airport, then the State is entitled to carry forward the amount of this deficit as an additional item of allocable cost in computing the schedule of rates, rents, fees and charges for the Airport Fiscal Year next following the Airport Fiscal Year during which the final Airport Audit is received which reflects such deficit. Conversely, if in any Airport Fiscal Year the State recovers through the imposition of its rates, rents, fees and charges revenues exceeding the full amount of the costs properly allocable to a Signatory Airline during such Airport Fiscal Year on account of its use of the facilities of the Airport, then the State is required to carry forward the amount of this surplus as an offset to allocable costs in computing the schedule of rates, rents, fees and charges for the Airport Fiscal Year next following the Airport Fiscal Year during which the final Airport Audit is received which reflects such surplus.

## **Capital Improvements**

*Limitation on total costs of Capital Improvement Program.* If, upon the receipt of final bids with respect to the Capital Improvement Program (or any portion thereof), the lowest responsible bid or bids for such Construction Costs exceeds the estimate as set forth in the Operating Agreement, then the State will negotiate with the Signatory Airlines (or any of them) during the two-week period following receipt of such bid or bids and will use its best efforts to modify the Capital Improvement Program or reduce the Construction Costs represented by such lowest bid or bids until such costs are within the estimates set forth in the Use Agreement. Prior to agreeing to any change order with respect to the acquisition or construction of the Capital Improvement Program which would cause the Construction Costs attributable to the portion of the Capital Improvement Program to which such change order applies to exceed the estimate set forth in the Operating Agreement, the State is to negotiate with the Signatory Airlines (or any of them) during a period of seven calendar days immediately following the receipt by the Signatory Airlines of notice of the proposed change order with respect to the necessity for such change order, and to use its best efforts to modify the Capital Improvement Program or reduce the Construction Costs represented by such change order until such Construction Costs are within the estimates set forth in the Operating Agreement.

*Recovery of Capital Improvement Costs Under Rates, Rentals, Uses and Charges.* The State may take into account all properly allocable costs and expenses incurred in effecting the Capital

Improvement Program at the Airport in determining the schedule of rates, rents, fees and charges applicable to each Signatory Airline. However, with respect to all other Capital Improvements, no such cost or expense may be charged to an Airline *unless*, within fifty days of being formally notified of a proposed Capital Improvement (either by distribution of a proposed Capital Improvement Budget or otherwise), a Majority-in-Interest of the Signatory Airlines approves such Capital Improvement. This limitation, however, does not apply to (1) Capital Improvements required by law, (2) Capital Improvements involving the repair of casualty damage to Airport property the cost of which exceeds the proceeds of applicable insurance, provided that the reconstruction or replacement of such damaged property is required in order to fulfill a contractual obligation of the State, or, if determined to be economically feasible, to maintain a source of revenue to the State, (3) Capital Improvements involving a special facility which a Signatory Airline or a third party has agreed in writing to lease from the State and with respect to which such Signatory Airline or third party will pay rentals to the State sufficient to permit such special facility to be administered, operated, maintained and repaired without affecting the Operating Expenses allocable to the Signatory Airlines, and (4) certain other Capital Improvements provided their costs remain within certain specified dollar limits.

### **Revenues to Remain at Airport**

The State has agreed that during the term of the Operating Agreements the Airport Revenues will not be applied except for Airport purposes, including without limitation, the administration, operation, maintenance and repair of the Airport, the retirement and redemption of the Bonds and the financing of Capital Improvements authorized pursuant to the Operating Agreements.

### **Default**

Upon failure of a Signatory Airline to pay its rates, rents, fees or charges or to keep any of its covenants and agreements, and its failure to cure such default within thirty days after it receives notice of its default, the State may terminate its Operating Agreement, enter and take possession of such Airline's property located on the demised premises, and dispose of such property by sale.

### **State's Right to Terminate**

The State may declare an Operating Agreement terminated in its entirety upon or after the happening of any one or more of the following events: (1) The filing by the Signatory Airline of a voluntary petition in bankruptcy or any assignment for the benefit of creditors of all or any part of such Airline's assets; (2) The adjudication of such Airline as a bankrupt pursuant to any involuntary bankruptcy proceedings; (3) The taking of jurisdiction by a court of competent jurisdiction of such Airline or its assets pursuant to proceedings brought under the provisions of any Federal reorganization act; (4) The appointment of a receiver or trustee of such Airline's assets by a court of competent jurisdiction or a voluntary agreement with such Airline's creditors; or (5) The voluntary abandonment by such Airline of the conduct of its air transportation business at the Airport.

## **Signatory Airline's Right to Terminate**

A Signatory Airline may declare its Operating Agreement terminated in its entirety upon or after the happening of any one of the following events: (1) The issuance by any court of competent jurisdiction of an injunction in any way preventing or restraining the use of said Airport or of any part thereof for airport purposes and the remaining in force of such injunction for a period of at least sixty (60) days; (2) The breach by the State of any of the covenants or agreements contained in the Operating Agreement and the failure of the State to remedy such breach within sixty (60) days; (3) The inability of such Airline to use its demised premises and the Airport facilities for a longer period than ninety (90) days due to war, earthquake or acts of God; (4) The erection of any obstacle on or in the vicinity of the Airport which would occasion a modification of such Airline's air carrier operating certificate or similar authorizations establishing minimum safety standards for the operations of such Airline; (5) Any action of any governmental authority, board, agency or officer having jurisdiction thereof preventing such Airline from conducting its air transport business at the Airport by the taking, directly or indirectly, in whole or a substantial part, of the demised premises or premises required for actual operation of such Airline's aircraft to and from the Airport; (6) The taking through the process of eminent domain of all or a substantial part of the premises and space leased by the Airline; (7) Any action or inaction of any governmental authority, board, agency or officer having jurisdiction thereof preventing such Airline from conducting its air transport business at the Airport; provided, however, that such Airline is not deemed to have been prevented from conducting its air transport business at the Airport by reason of commercial impracticability resulting from any such governmental action or inaction.

## **Annual Audit**

The State is to have an Airport Audit conducted annually at its own expense and to make such audit available to a Signatory Airline for execution.

## **Assignment and Subletting**

A Signatory Airline may not assign the Operating Agreement or any part thereof or sublet the premises or any part thereof leased under such Operating Agreement, without the prior written approval of the State, except to a successor upon merger, consolidation or reorganization or voluntary sale or transfer of substantially all of its assets.

## **Insurance**

A Signatory Airline agrees to secure and maintain for the duration of its Operating Agreement, the following insurance policies naming the State as an additional insured: \$50,000,000 single limit for all damages arising out of bodily injuries or death of one or more persons in any one accident or occurrence and \$50,000,000 single limit for all damages arising out of injury to or destruction or property in any one accident or occurrence.



**Other Provisions**

The Operating Agreements include other provisions including without limitation, agreements regarding the operation and maintenance of the Airport, damage or destruction of buildings, indemnification, and compliance with federal and State statutes, regulations and orders.

## APPENDIX C

### SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

*The following statements are summaries of certain provisions of the Trust Indenture dated as of March 1, 2001, as heretofore supplemented and as further supplemented (as used in this Appendix C, as so supplemented, the “Indenture”) in connection with the issuance of the Bonds (as used in this Appendix C, the “Series 2004 Bonds”). All such summary statements do not purport to be complete and are subject to and qualified in their entirety by reference to the Indenture for the detailed provisions thereof.*

#### **Definitions of Certain Terms**

The following are definitions of certain terms used in the Indenture:

“*Accounts*” means any of the accounts created by or referred to in the Indenture, including any sub-accounts therein.

“*Accreted Value*” means, with respect to each Compound Interest Bond, the principal amount of such Compound Interest Bond, plus, on the date of calculation, the interest accrued thereon to such date compounded at the interest rate thereof on each compounding date contained in such Compound Interest Bond, and, with respect to any calculation on a date other than a compounding date, the Accreted Value means the Accreted Value as of the preceding compounding date plus interest on such amount from such compounding date to the date of calculation at a rate equal to the interest rate on such Compound Interest Bond.

“*Act*” means C.G.S. Chapter 266a, as amended, as the same may be amended from time to time.

“*Additional Bonds*” means Bonds issued after the date of the Series 2001 Bonds pursuant to the Indenture, and includes the Series 2004 Bonds. The term “Additional Bonds” includes Senior Lien Bonds, Subordinate Lien Bonds and Hybrid Bonds.

“*Additional Interest*” means, for any period during which any Pledged Bonds are owned by a Credit Issuer pursuant to a Credit Facility or Credit Facility Agreement, the amount of interest accrued on such Pledged Bonds at the Pledged Bond Rate less the amount of interest which would have accrued during such period on an equal principal amount of Bonds at the Bond Rate.

“*Airlines*” means all of the air transportation companies now or hereafter entering into Operating Agreements.

“*Airport*” means Bradley International Airport and all related improvements and facilities now in existence and as hereafter acquired, added, extended, improved and equipped and will include (i) any property or facilities purchased with funds of, or revenues derived from, Bradley International Airport, and (ii) any other property or facilities allocated by the State or

otherwise to Bradley International Airport; less any portion thereof sold or otherwise disposed of pursuant to the Indenture.

*“Airport Consultant”* means a firm of consultants experienced in the planning, management or financial feasibility of airports or airport-related projects and having a nationally recognized reputation for such work, which has been retained by the State or whose selection has been approved by the State.

*“Annual Operating Budget”* means the annual operating budget of the State relating to the Operating Expenses of the Airport, adopted or in effect for a particular Fiscal Year.

*“Authorized Officer”* or *“Authorized Officers”* means any person or persons specifically authorized to take on behalf of the State the action intended, and if there is no such specific authorization, will mean the Treasurer or the Commissioner; provided that, unless the Trustee is otherwise advised by an Authorized Officer, the Bureau Chief of the Bureau of Aviation and Ports of the Department of Transportation, or his designated delegate, will be authorized to execute and deliver requisitions for disbursements from the accounts of the Construction Fund in accordance with the Indenture and the applicable provisions of a Supplemental Indenture.

*“Balloon Bonds”* means any series of Bonds 25% or more of the original principal amount of which (i) is due in any 12-month period or (ii) may, at the option of the Bondholders, be required to be redeemed, prepaid, purchased directly or indirectly by the State, or otherwise paid in any 12-month period; provided that, in calculating the principal amount of such Bonds due or required to be redeemed, prepaid, purchased, or otherwise paid in any 12-month period, such principal amount will be reduced to the extent that all or any portion of such amount is required to be redeemed or amortized prior to such 12-month period.

*“Balloon Date”* means any Principal Maturity Date or Put Date for Balloon Bonds in a Balloon Year.

*“Balloon Year”* means any 12-month period in which more than 25% of the original principal amount of related Balloon Bonds mature or are subject to mandatory redemption or could, at the option of the Bondholders, be required to be redeemed, prepaid, purchased directly or indirectly by the State, or otherwise paid.

*“Beneficiaries”* means the holders of any Bonds and the parties to Contracts (other than the State).

*“Bond Counsel”* means any firm of nationally recognized counsel experienced in matters relating to tax-exempt financing retained by the State.

*“Bond Insurance Policy”* means a municipal bond new issue insurance policy issued by a Bond Insurer that guarantees payment of principal of and interest on a series of Bonds. A Bond Insurance Policy is a “Credit Facility” for purposes of the Indenture. A Bond Insurance Policy has been issued to secure the Series 2001 Bonds and a Bond Insurance Policy will be issued to secure the Series 2004 Bonds.

“*Bond Insurer*” means (i) with respect to the Series 2001 Bonds, Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto, as issuer of the Bond Insurance Policy securing the Series 2001 Bonds and (ii) with respect to the Series 2004 Bonds, Financial Guaranty Insurance Company, a New York stock insurance company, or any successor thereto, as issuer of the Bond Insurance Policy securing the Series 2004 Bonds. A Bond Insurer will be a “Credit Issuer” for purposes of the Indenture.

“*Bond Rate*” means the rate of interest per annum payable on specified Bonds other than Pledged Bonds.

“*Bond Register*” or “*Register*” means the registration books maintained and to be maintained by the Bond Registrar for registration and transfer of Bonds pursuant to the Indenture.

“*Bond Registrar*” means any bank or trust company designated as such by the State in the Indenture with respect to any of the Bonds. Such Bond Registrar will perform the duties required of the Bond Registrar in the Indenture.

“*Bond Service Account*” means the Bond Service Account within the Debt Service Fund established by the Indenture.

“*Bonds*” means any revenue bonds authorized by and authenticated and delivered pursuant to the Indenture, including the Series 2001 Bonds, the Series 2004 Bonds and any Additional Bonds.

“*Business Day*” means any day of the year, other than a Saturday or Sunday, or a day on which banks located in the cities in which the principal offices of the Trustee and any Paying Agent are located and in Hartford, Connecticut are legally authorized to be closed, and on which the Trustee and the Paying Agent are open.

“*Capitalized Interest Account*” means the Capitalized Interest Account within the Debt Service Fund established by the Indenture.

The term “*category*” or “*category of Revenues*” means an objectively definable portion of Revenues related to a particular type of service, activity or facility, including the categories of General Revenues, PFC Revenues, Released Revenues and Special Purpose Revenues and subcategories within such categories. A “category of Revenues,” unless otherwise determined by the State, includes Investment Earnings or other moneys in funds or amounts derived from such portion of Revenues.

“*Code*” means the Internal Revenue Code of 1986, as amended, and any applicable regulations thereunder.

“*Commissioner*” means the Commissioner of the Department of Transportation, or his authorized designee.

“*Commitment*,” when used with respect to Balloon Bonds, means a binding written commitment from a financial institution, surety, or insurance company to refinance such Bonds

on or prior to any Balloon Date thereof, including without limitation any Credit Facility for such Bonds.

“*Compound Interest Bonds*” means Bonds that bear interest which is calculated based on periodic compounding, payable only at maturity or earlier redemption.

“*Construction Fund*” means the Construction Fund established by the Indenture.

“*Construction Period*” means the period between the beginning of the acquisition, construction and installation of the Project to be financed from the proceeds of any series of Bonds, and the date of completion thereof, as evidenced in accordance with the Indenture.

“*Contracts*” means all Credit Facility Agreements, including any related Reimbursement Obligations, all agreements with respect to Reserve Account Credit Facilities, including any related Reimbursement Obligations, all Qualified Hedge Agreements and any agreement made pursuant to the Indenture.

“*Cost of Issuance Fund*” means the Cost of Issuance Fund (including the Series 2004 Account therein) established by the Indenture.

“*Costs,*” with respect to any Project, means the total cost, paid or incurred, to study, plan, design, finance, acquire, construct, reconstruct, install or otherwise implement the Project, including improvements to another Project, and will include, but will not be limited to, the following costs and expenses relating to such Project and the reimbursement to the State for any such items previously paid by the State, all to the extent permitted by the Act:

(i) the cost of all lands, real or personal properties, rights, easements and franchises acquired;

(ii) the cost of all financing charges and interest prior to and during construction and for up to six months after completion of construction (or such longer period as may be permitted by State law);

(iii) the cost of the acquisition, construction, reconstruction, implementation, installation or equipping of the Project;

(iv) the cost of engineering, architectural, planning, development and supervisory services, fiscal agents’ and legal expenses, plans and specifications, and other expenses necessary or incident to determining the feasibility or practicability of the Project, administrative expenses, and such other expenses as may be necessary or incident to any financing with Bond proceeds;

(v) the cost of placing the Project in operation;

(vi) the cost of condemnation of property necessary for construction, implementation and operation;

(vii) the costs of issuing any Bonds to finance the Project; and

(viii) any other costs which may be incidental to the Project prior to completion and implementation.

“*Credit Facility*” means any letter of credit, insurance policy, guaranty, surety bond, standby bond purchase agreement, line of credit, revolving credit agreement, or similar obligation, arrangement, or instrument issued by a bank, insurance company, or other financial institution that is used by the State to perform one or more of the following tasks: (i) enhancing the State’s credit by assuring owners of any of the Bonds that principal of and interest on such Bonds will be paid promptly when due; (ii) providing liquidity for the owners of Bonds through undertaking to cause Bonds to be bought from the owners thereof when submitted pursuant to an arrangement prescribed by a Supplemental Indenture; or (iii) remarketing any Bonds so submitted to the Credit Issuer (whether or not the same Credit Issuer is remarketing the Bonds). The term “*Credit Facility*” does not include a Reserve Account Credit Facility.

“*Credit Facility Agreement*” means an agreement between the State and a Credit Issuer pursuant to which the Credit Issuer issues a Credit Facility and may include a related Reimbursement Obligation. The term “*Credit Facility Agreement*” will not include an agreement with respect to a Reserve Account Credit Facility.

“*Credit Issuer*” means any issuer of a Credit Facility then in effect for all or part of the Bonds. The term “*Credit Issuer*” does not include any Reserve Account Credit Facility Provider. Whenever in the Indenture the consent of the Credit Issuer is required, such consent will only be required from the Credit Issuer whose Credit Facility is issued with respect to the Bonds for which the consent is required.

“*Debt Service Fund*” means the Debt Service Fund established by the Indenture.

“*Debt Service Requirements*” means the total principal and interest coming due, whether at maturity or upon mandatory redemption, in any specified period, provided:

(i) If any Bonds Outstanding or proposed to be issued will bear interest at a Variable Rate, including Hedged Bonds if the interest thereon calculated as set forth below is expected to vary and Bonds secured by a Credit Facility if the interest thereon calculated as set forth below is expected to vary, the interest coming due in any specified future period will be determined as if the Variable Rate in effect at all times during such future period equaled, at the option of the State, either (1) the average of the actual Variable Rates which were in effect (weighted according to the length of the period during which each such Variable Rate was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period), or (2) the current average annual fixed rate of interest on securities of similar quality having a similar maturity date as certified by a Financial Advisor.

(ii) If any Compound Interest Bonds are Outstanding or proposed to be issued, the total principal and interest coming due in any specified period will be determined in accordance with the Supplemental Indenture authorizing such Compound Interest Bonds.

(iii) With respect to any Bonds secured by a Credit Facility, the Debt Service Requirements therefor will include (1) any commission or commitment fee obligations with respect to such Credit Facility, (2) the outstanding amount of any Reimbursement Obligation and interest thereon, (3) any Additional Interest owed on Pledged Bonds, and (4) any remarketing agent fees; provided if (a) the Credit Facility requires the Credit Issuer to make all interest payments on the Bonds, (b) the Reimbursement Obligation provides for payments by the State or the Credit Issuer based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices, and (c) the Credit Issuer, upon the execution of the Credit Facility Agreement, would qualify as a Qualified Hedge Provider if the Credit Facility Agreement were to be construed as a Hedge Agreement and the related Bonds as Hedged Bonds, then interest on such Bonds will be calculated by adding (x) the amount of interest payable on such Bonds pursuant to their terms and (y) the amount of payments for interest to be made by the State under the Credit Facility Agreement, and subtracting (z) the amounts payable by the Credit Issuer to the State or as interest on such Bonds as specified in the Credit Facility Agreement; but only to the extent the Credit Issuer is not in default under the Credit Facility and if such default has occurred and is continuing, interest on such Bonds will be calculated as if there were no Credit Facility.

(iv) With respect to any Hedged Bonds, the interest on such Hedged Bonds during any Hedge Period and for so long as the provider of the related Hedge Agreement has not defaulted on its payment obligations thereunder will be calculated by adding (x) the amount of interest payable by the State on such Hedged Bonds pursuant to their terms and (y) the amount of Hedge Payments payable by the State under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement at the rate specified in the related Hedge Agreement; provided, however, that to the extent that the provider of any Hedge Agreement is in default thereunder, the amount of interest payable by the State on the related Hedged Bonds will be the interest calculated as if such Hedge Agreement had not been executed. In determining the amount of Hedge Payments or Hedge Receipts that are not fixed throughout the Hedge Period (*i.e.*, which are variable), payable or receivable for any future period, such Hedge Payments or Hedge Receipts for any period of calculation (the "Determination Period") will be computed by assuming that the variables comprising the calculation (*e.g.*, indices) applicable to the Determination Period are equal to the average of the actual variables which were in effect (weighted according to the length of the period during which each such variable was in effect) for the most recent 12-month period immediately preceding the date of calculation for which such information is available (or shorter period if such information is not available for a 12-month period).

(v) For the purpose of calculating the Debt Service Requirements on Balloon Bonds (1) which are subject to a Commitment or (2) which do not have a Balloon Year commencing within 12 months from the date of calculation, such bonds will be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of 20 years at an assumed interest rate (which will be the interest rate certified by a Financial Advisor to be the interest rate at which the State could reasonably expect to borrow the same amount by issuing Bonds with the same priority of lien as such Balloon Bonds and with a 20-year term); provided, however,



that if the maturity of such Bonds (taking into account the term of any Commitment) is in excess of 20 years from the date of issuance, then such Bonds will be assumed to be amortized in substantially equal annual amounts to be paid for principal and interest over an assumed amortization period of years equal to the number of years from the date of issuance of such Bonds to maturity (including the Commitment) and at the interest rate applicable to such Bonds. For the purpose of calculating the Debt Service Requirements on Balloon Bonds (a) which are not subject to a Commitment and (b) which have a Balloon Year commencing within 12 months from the date of calculation, the principal payable on such Bonds during the Balloon Year will be calculated as if paid on the Balloon Date.

(vi) The principal of and interest on Bonds, amounts for interest under a Credit Facility and Hedge Payments will be excluded from the determination of the Debt Service Requirements to the extent that the same were or are expected to be paid with amounts on deposit on the date of calculation (or Bond proceeds to be deposited on the date of issuance of proposed Bonds) in a fund under the Indenture; provided that, such amounts on deposit will not be taken into account and such exclusion will not apply during any Forecast Period established for purposes of meeting the requirements to issue Additional Senior Lien Bonds under the Indenture.

*“Debt Service Reserve Account”* means the Debt Service Reserve Account (including the Series 2001A Subaccount, the Series 2001B Subaccount and the Series 2004 Subaccount therein) within the Debt Service Fund established by the Indenture.

*“Debt Service Reserve Requirement”* means, with respect to any series of Bonds for which a subaccount in the Debt Service Reserve Account has been established, such amount as is designated in the Supplemental Indenture for that series of Bonds as the required balance for that subaccount. The Debt Service Reserve Requirement for the Series 2001A Bonds is an amount equal to the Maximum Annual Debt Service Requirement on the Series 2001A Bonds. The Debt Service Reserve Requirement for the Series 2001B Bonds is an amount equal to 10% of the par amount of the Series 2001B Bonds. The Debt Service Reserve Requirement for the Series 2004 Bonds will be satisfied by deposit of the Series 2004 Reserve Account Credit Facility, constituting a Reserve Account Credit Facility under the Indenture, in an amount equal to 10% of the par amount of the Series 2004 Bonds.

*“Department of Transportation”* means the Department of Transportation of the State.

*“Depository”* means the depository of each fund established under the Indenture, and any successor depository of such fund hereafter designated by the State from time to time by Supplemental Indenture.

*“DTC”* means The Depository Trust Company (a limited purpose trust company), New York, New York, until any successor depository will have become such pursuant to the applicable provisions of the Indenture and, thereafter, “DTC” will mean the successor depository. Any such depository will be a securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry system to

record ownership of beneficial interests in Bonds, and to effect transfers of beneficial interests in the Bonds, in a book entry form.

*“Escrow Deposit Agreement”* means the Escrow Deposit Agreement, to be dated as of the date of delivery of the Series 2004 Bonds, between the State and the trustee for the Prior Bonds relating to the refunding, defeasance and redemption of the Prior Bonds.

*“Event of Default”* means any of the events defined as such in the Indenture.

*“Favorable Opinion of Bond Counsel”* means, with respect to any action the occurrence of which requires such an opinion, an Opinion of Counsel, which will be a Bond Counsel, to the effect that such action is permitted under the Act and the Indenture and will not impair the exclusion of interest on the Bonds from gross income for purposes of federal income taxation or the exemption of interest on the Bonds from taxation under the laws of the State (to the extent those Bonds were issued on the basis that the interest thereon was excluded from gross income for purposes of federal income taxation and/or exempt from State taxation and subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds).

*“Financial Advisor”* means an investment banking or financial advisory firm, commercial bank, or any other Person who or which is retained by the State for the purpose of passing on questions relating to the availability and terms of specified types of Bonds and is actively engaged in and, in the good faith opinion of the State, has a favorable reputation for skill and experience in underwriting or providing financial advisory services in respect of similar types of securities.

*“First Supplemental Indenture”* means the First Supplemental Trust Indenture, dated as of March 1, 2001, between the State and the Trustee, supplementing the Indenture, authorizing the Series 2001 Bonds.

*“Fiscal Year”* means the Fiscal Year of the Airport, currently beginning on July 1 and ending June 30 in each year, as designated by the Department of Transportation or the State pursuant to the Act.

*“Fitch”* means Fitch Ratings, or, if such entity is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the State.

*“Forecast Period”* means the first complete Fiscal Year beginning after the later of (i) the Fiscal Year in which any proposed Additional Bonds are to be issued or (ii) the Fiscal Year in which any Project to be financed with the proceeds of any proposed Additional Bonds is expected to be completed.

*“Funds”* means any of the funds created by or referred to in the Indenture, including any accounts and sub-accounts therein.

*“General Airport Fund”* means the General Airport Fund (including the Deposit Account therein) established by the Indenture.

“*General Revenue Account*” means the General Revenue Account within the Revenue Fund established by the Indenture.

“*General Revenue Bonds*” means Bonds secured by a Senior Lien on General Revenues, including the Series 2001 Bonds and the Series 2004 Bonds.

“*General Revenue Enhancement Account*” means the General Revenue Enhancement Account within the Revenue Fund established by the Indenture.

“*General Revenue Facilities*” means the Airport, including PFC Facilities, but not including Special Purpose Facilities and Released Revenue Facilities.

“*General Revenues*” means all Revenues other than PFC Revenues, Special Purpose Revenues and Released Revenues.

“*Government Loans*” means loans to the State by the government of the United States or by any department, authority, or agency thereof for the purpose of acquiring, constructing, reconstructing, improving, bettering, or extending any part of the Airport.

“*Government Obligations*” means (a) direct and general obligations of, or obligations unconditionally guaranteed by, the United States of America, (b) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America, the payment of which is unconditionally guaranteed as a full faith and credit obligation of the United States of America for the timely payment thereof, (c) municipal obligations the payment of principal (either to the maturity thereof or an earlier stated redemption date), redemption price, if any and interest on which is irrevocably secured by obligations described in clauses (a) or (b) above which have been deposited in an escrow arrangement which is irrevocably pledged to the credit of such municipal obligations and which municipal obligations are rated at the time of acquisition or purchase in the highest rating category by Moody’s and S&P, or (d) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in clauses (a), (b) or (c) above the full and timely payment of which securities receipts or portions of obligations is unconditionally guaranteed as a full faith and credit obligation of the United States. In the event that, at any time, there are no obligations then existing which qualify as “Government Obligations,” then the State may specify alternative obligations to be used in lieu of “Government Obligations” for purposes of the Indenture, provided that (i) each Credit Issuer with a Credit Facility then in effect with respect to any Bonds affected thereby consents to such substitution and (ii) each Rating Agency with a Rating then in effect with respect to any Bonds affected thereby indicates in writing to the State that such substitution will not, by itself, result in a reduction or withdrawal of such Rating.

“*Hedge Agreement*” means, without limitation, (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors, collars, or caps, options, puts or calls, to hedge or minimize any type of financial risk,

including, without limitation, payment, currency, rate or other financial risk; and (v) any other type of contract or arrangement that the State determines is to be used, or is intended to be used, to manage or reduce the cost of any Bonds, to convert any element of any Bonds from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

*“Hedged Bonds”* means any Bonds for which the State has entered into a Qualified Hedge Agreement.

*“Hedge Payments”* means amounts payable by the State pursuant to any Hedge Agreement, other than termination payments, fees, expenses and indemnity payments.

*“Hedge Period”* means the period during which a Hedge Agreement is in effect.

*“Hedge Receipts”* means amounts payable by any provider of a Hedge Agreement pursuant to such Hedge Agreement, other than termination payments, fees, expenses and indemnity payments.

*“Holder”* or *“Holder of a Bond”* or *“Bondholder”* means the Person in whose name a Bond is registered on the Register.

*“Hybrid Bonds”* means Bonds which are not Subordinate Lien Bonds and either (i) have no Senior Lien on any Revenues, (ii) have no lien on any Revenues or (iii) have a Senior Lien on some Revenues in addition to a Subordinate Lien on some Revenues.

*“Improvement Fund”* means the Improvement Fund (including the Deposit Account therein) established by the Indenture.

*“Indenture”* means the Trust Indenture, dated as of March 1, 2001, between the State and the Trustee, as the same may be modified, amended or supplemented from time to time in accordance with the terms hereof, and, unless the context clearly indicates otherwise, includes any and all Supplemental Indentures.

*“Independent Certified Public Accountant”* means a firm of certified public accountants which are “independent” as that term is defined in Rule 101 and related interpretations of the Code of Professional Ethics of the American Institute of Certified Public Accounts, of recognized standing, and which does not devote its full time to the State (but which may be regularly retained by the State).

*“Interest Payment Date”* means each date on which interest is to become due on any Bonds, as established in the Supplemental Indenture for such Bonds.

*“Investment Earnings”* means all interest received on and profits derived from investments made with Revenues or any other moneys in the funds and accounts established under the Indenture.

*“Maximum Annual Debt Service Requirement”* for a series of Bonds means the largest Debt Service Requirements for such series during any Fiscal Year after the date of calculation.

“*Moody’s*” means Moody’s Investors Service, Inc. or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the State.

“*Net Revenues*” means, for each category of Revenues, Revenues net of related Operating Expenses; provided that “Net General Revenues” means General Revenues net of all Operating Expenses of the Airport (other than Operating Expenses with respect to Special Purpose Facilities and Released Revenue Facilities) and includes all amounts in the General Revenue Enhancement Account.

“*Operating Agreements*” means, collectively, all agreements as in effect from time to time between the State or the Airport and any tenants or users of the Airport for the use of Airport facilities, including, but not limited to, airlines, rental car companies and providers of retail or other commercial services.

“*Operating Expenses*” means all expenses reasonably incurred in connection with the administration, operation, maintenance and repair of the Airport, including without limitation salaries, wages, the cost of materials, services and supplies, rentals of leased property, if any, management fees, utility costs, taxes and payments in lieu of taxes, the cost of audits, Paying Agent’s and Bond Registrar’s fees, payment of premiums for insurance required by the Indenture and other insurance which the State deems prudent to carry on the Airport and its operations and personnel, and, generally, all expenses which are properly allocable to the operation and promotion of the Airport. “Operating Expenses” does not include any payments on Bonds, Contracts (including continuing commissions or commitment fees, remarketing agent fees, Additional Interest or amounts equivalent to principal on related Bonds) or Other Airport Obligations, any capital expenditures or related depreciation or amortization thereon or any deposits required to be made to the funds and accounts established under the Indenture. “Operating Expenses” are to be calculated on an accrual basis. To the extent Operating Expenses are allocable to particular related facilities, a lien on the portion of Revenues related thereto will not provide a claim on such Revenues ahead of the use thereof for payment of such allocable Operating Expenses.

“*Opinion of Counsel*” means a written legal opinion from an attorney or a firm of attorneys experienced in the matters to be covered in the opinion.

“*Other Airport Obligations*” means obligations of any kind, including but not limited to, Government Loans, revenue bonds, capital leases, Hedge Agreements which are not Qualified Hedge Agreements, installment purchase agreements or notes (but excluding Bonds and Contracts), incurred or issued by the State to finance or refinance the cost of acquiring, constructing, reconstructing, improving, bettering or extending any part of the Airport or any other cost relating to the Airport, which do not have a lien on any category of Revenues, except pursuant to the Indenture.

“*Outstanding*” means, when used in reference to the Bonds, all Bonds that have been duly authenticated and delivered under the Indenture, with the exception of (a) Bonds in lieu of which other Bonds have been issued to replace lost, mutilated, stolen or destroyed obligations, (b) Bonds surrendered by the owners in exchange for other Bonds under the Indenture, and (c)



Bonds for the payment of which provision has been made in accordance with the Indenture. In determining the principal amount of Compound Interest Bonds Outstanding under the Indenture, the Accreted Value of such Compound Interest Bonds at the time of determination will be used.

The term “*parity*” or “*parity secured*” when applied to two or more series of Bonds means each such series of Bonds has a lien of equal rank on the same category of Revenues; provided the existence of an additional lien on a different category of Revenues securing one or more series of such Bonds does not prevent such one or more series from being “parity secured” with the other Bonds with respect to the category of Revenues on which they have liens of equal rank.

“*Parking Garage Bonds*” means, collectively, the State’s \$47,665,000 Bradley International Airport Special Obligation Parking Revenue Bonds, Series 2000 A, dated as of March 15, 2000, and the State’s \$6,135,000 Bradley International Airport Special Obligation Parking Revenue Bonds, Taxable Series 2000 B, dated as of April 1, 2000.

“*Parking Lease*” means the Construction, Financing and Operating Special Facility Lease Agreement, dated as of March 1, 2000, between the State and APCOA Bradley Parking Company, LLC, as the same may be amended from time to time, relating to the parking facilities at the Airport.

“*Paying Agent*” means any bank or trust company authorized by the State pursuant to the Indenture to pay the principal of, premium, if any, or interest on any Bonds on behalf of the State. Such Paying Agent will perform the duties required of the Paying Agent in the Indenture.

“*Payments Account*” means the Payments Account within the Debt Service Fund established by the Indenture.

“*Permitted Investments*” means to the extent permitted by law:

(a) such obligations, securities and investments as are set forth in Section 3-20(f) of the Connecticut General Statutes, as the same may be amended from time to time, or any subsequent statutory provision applicable to the State or the Airport;

(b) participation certificates in the short-term investment fund created and existing under Section 3-27a of the Connecticut General Statutes, as amended by Section 14 of the Public Act No. 84-254, or any successor provision; and

(c) participation certificates in the Tax-Exempt Proceeds Fund created and existing under Section 3-24a et seq. of the Connecticut General Statutes, as the same may be amended from time to time.

“*Person*” or “*person*” means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, unincorporated organization, body, authority, government or agency or political subdivision thereof.

“*PFC Act*” means the Aviation Safety and Capacity Expansion Act of 1990, Pub. L. 101-508, Title IX, Subtitle B, §§ 9110 and 9111, as amended from time to time.

“*PFC Component*” means that portion of the Debt Service Requirements on the Series 2001A Bonds allocated to the PFC Facilities and expected to be paid from PFC Revenues.

“*PFC Coverage Account*” means the PFC Coverage Account within the PFC Revenue Fund established by the Indenture.

“*PFC Escrow Account*” means the PFC Escrow Account within the PFC Revenue Fund established by the Indenture.

“*PFC Facilities*” means facilities for the construction and implementation of which the Airport has received approval to expend PFC Revenues under the PFC Act, including facilities financed with PFC Revenue Bonds.

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

“*PFC Revenue Bonds*” means Bonds secured by a Senior Lien on PFC Revenues.

“*PFC Revenue Fund*” means the PFC Revenue Fund established by the Indenture.

“*PFC Revenues*” means all income and revenue received by or required to be remitted to the State or the Airport from the passenger facility charges imposed by the State at the Airport pursuant to the PFC Act and the PFC Regulations, including any interest earned after such charges have been remitted to the State or the Airport as provided in the PFC Regulations, all of which may be pledged pursuant to the PFC Act and PFC Regulations §158.13.

“*Pledged Bond*” means any Bond purchased and held by a Credit Issuer pursuant to a Credit Facility Agreement. A Bond will be deemed a Pledged Bond only for the actual period during which such Bond is owned by a Credit Issuer pursuant to a Credit Facility Agreement.

“*Pledged Bond Rate*” means the rate of interest payable on Pledged Bonds, as may be provided in a Credit Facility or Credit Facility Agreement.

“*Pledged Revenues*” means all Revenues and all moneys paid or required to be paid into, and all moneys and securities on deposit from time to time in, the following funds and accounts: (i) the Revenue Fund, including the General Revenue Account and the General Revenue Enhancement Account, but excluding the Released Revenue Account and amounts in the Revenue Fund required to be used to pay Operating Expenses, (ii) the PFC Revenue Fund, including the PFC Coverage Account, but excluding the PFC Escrow Account, (iii) the Debt Service Fund, including the Bond Service Account, the Payments Account, the Capitalized Interest Account and the Debt Service Reserve Account, (iv) the Construction Fund and (v) the Cost of Issuance Fund, including the Series 2004 Account. In addition to the exclusions identified in the preceding sentence, “Pledged Revenues” does not include (i) moneys and securities from time to time on deposit in the General Airport Fund, including the Deposit Account therein, (ii) moneys and securities from time to time on deposit in the Improvement



Fund, including the Deposit Account therein, and (iii) any amounts required in the Indenture to be set aside pending, or used for, rebate to the United States government pursuant to Section 148(f) of the Code, including, but not limited to, amounts in the Rebate Account. In accordance with the PFC Act and the PFC Regulations, the use of PFC Revenues is limited to the allowable costs of PFC Facilities.

The term “*principal*” means the principal amount of any Bond and includes the Accreted Value of any Compound Interest Bonds. All references to principal will be construed as if they were also references to Accreted Value with respect to Compound Interest Bonds.

“*Principal Maturity Date*” means each date on which principal is to become due on any Bonds, by maturity or mandatory sinking fund redemption, as established in the Supplemental Indenture for such Bonds.

“*Prior Bonds*” means the State’s \$94,065,000 Airport Revenue Refunding Bonds (Bradley International Airport, Series 1992) issued on September 30, 1992 and outstanding as of the date of this Official Statement in the principal amount of \$42,150,000, all of which will be refunded with the proceeds of the Series 2004 Bonds, as specified in the Escrow Deposit Agreement.

“*Project*” means the acquisition, construction, reconstruction, improvement, betterment, extension, implementation or equipping of the Airport and, as described in the Indenture, any specific capital facilities or group of related capital projects at the Airport, in each case, financed, in whole or in part, with the proceeds of any Bonds.

“*Put Date*” means any date on which a Bondholder may elect to have Balloon Bonds redeemed, prepaid, purchased directly or indirectly by the State, or otherwise paid.

“*Qualified Hedge Agreement*” means any Hedge Agreement with a Qualified Hedge Provider.

“*Qualified Hedge Provider*” means an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under the related Hedge Agreement are absolutely and unconditionally guaranteed by an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are rated either (i) at least as high as the third highest Rating category of each Rating Agency, but, if there is no Credit Facility with respect to the related Hedged Bonds, in no event lower than any Rating on the related Hedged Bonds at the time of execution of the Hedge Agreement, or (ii) in any such lower Rating categories which each Rating Agency indicates in writing to the State will not, by itself, result in a reduction or withdrawal of its Rating on the related Hedged Bonds that is in effect prior to entering into the Hedge Agreement. An entity’s status as a “Qualified Hedged Provider” is determined only at the time the State enters into a Hedge Agreement with such entity and cannot be redetermined with respect to that Hedge Agreement.

“*Rating*” means a rating in one of the categories by a Rating Agency, disregarding pluses, minuses and numerical gradations.

*“Rating Agencies”* or *“Rating Agency”* means Fitch, Moody’s, and Standard & Poor’s or any successors thereto and any other nationally recognized credit rating agency then maintaining a rating on any Bonds at the request of the State. If at any time a particular Rating Agency does not have a rating outstanding with respect to the relevant Bonds, then a reference to Rating Agency or Rating Agencies will not include such Rating Agency.

*“Rebate Account”* means the Rebate Account established by the Indenture.

*“Regular Record Date”* means, as to each series of Bonds, each of the dates designated as a Regular Record Date in the applicable Supplemental Indenture.

*“Reimbursement Obligation”* means the obligation of the State to directly reimburse any Credit Issuer for amounts paid under a Credit Facility or any Reserve Account Credit Facility Provider for amounts paid under a Reserve Account Credit Facility, whether or not such obligation to so reimburse is evidenced by a promissory note or other similar instrument. The term Reimbursement Obligation includes obligations pursuant to a Credit Facility Agreement either to make payments for interest based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices, in return for the Credit Issuer’s fixed obligations under the Credit Facility or to make fixed payments for interest in return for the Credit Issuer’s payments based on such variables.

The term *“related”* means, when used to refer to Bonds, subaccounts, category of Revenues or liens, the item modified by such term has a definite relationship to the subject as described in the Indenture. The term *“related”* means, when used to refer to Operating Expenses, (i) for

Special Purpose Revenue Bonds or Special Purpose Revenues, Operating Expenses with respect to Special Purpose Facilities, (ii) for Released Revenue Bonds or Released Revenues, Operating Expenses with respect to Released Revenue Facilities and (iii) for General Revenue Bonds or General Revenues, all Operating Expenses of the Airport less Operating Expenses with respect to Special Purpose Facilities and Released Revenue Facilities. There are no Operating Expenses related to PFC Revenues or PFC Revenue Bonds.

*“Released Revenue Account”* means the Released Revenue Account within the Revenue Fund established by the Indenture.

*“Released Revenue Bonds”* means Bonds secured by a Senior Lien on one or more categories of Released Revenues. The Parking Garage Bonds are Released Revenue Bonds.

*“Released Revenue Facilities”* means the portion of the Airport with respect to which Released Revenues arise or from which they are generated, other than PFC Facilities. The parking facilities at the Airport subject to the Parking Lease are Released Revenue Facilities.

*“Released Revenues”* means particular categories of Revenues which would otherwise be General Revenues but have been identified in accordance with the Indenture and therefore do not constitute a part of General Revenues, until the State has acted to include such categories of Revenues within General Revenues again. The gross revenues derived from the parking facilities at the Airport subject to the Parking Lease initially are Released Revenues; provided

that, amounts payable to the State in accordance with the Parking Lease (including guaranteed minimum payments and additional payments) are General Revenues of the Airport.

*“Reserve Account Credit Facility”* means any letter of credit, insurance policy, line of credit, surety bond or similar obligation, arrangement or instrument issued by a bank, insurance company or other financial institution, together with any substitute or replacement therefor, if any, and related Reimbursement Obligation, if any, complying with the provisions of the Indenture, thereby fulfilling all or a portion of a Debt Service Reserve Requirement. The Series 2004 Reserve Account Credit Facility will constitute a Reserve Fund Credit Facility for purposes of the Indenture.

*“Reserve Account Credit Facility Provider”* means any provider of a Reserve Account Credit Facility, including Financial Guaranty Insurance Company as provider of the Series 2004 Reserve Account Credit Facility.

*“Revenue Fund”* means the Revenue Fund established by the Indenture.

*“Revenues”* means (i) all revenues, income, receipts and money derived from the ownership and operation of the Airport, including without limitation all rentals, charges, landing fees, use charges and concession revenue received by or on behalf of the State, Investment Earnings and all other income received from, and gain from, securities and other investments and amounts earned on amounts deposited in funds and accounts under the Indenture or otherwise maintained with respect to the Airport, (ii) all grants from governmental units or public agencies for the benefit of the Airport which are not restricted by law or the payor to application for a particular purpose which would prevent their use for the payment of certain Bonds or Contracts, and (iii) gifts or grants which are unrestricted as to use by the grantor or donor; provided “Revenues” includes PFC Revenues. The term “Revenues” does not include proceeds of insurance so long as such proceeds are to be paid to a party separate from the State in respect of a liability or are to be used to repair or replace portions of the Airport. “Revenues” are to be calculated on an accrual basis.

*“Second Supplemental Indenture”* means the Second Supplemental Trust Indenture, dated as of May 1, 2004, between the State and the Trustee, supplementing the Indenture, authorizing the Series 2004 Bonds.

*“Senior Lien”* means a lien on one or more categories of Revenues that entitles the Beneficiaries of such lien to have a claim on such Revenues prior to any other Person and ahead of the use of such Revenues for any purpose other than payment of Operating Expenses; provided one or more series of Bonds, Contracts and related Beneficiaries may have parity Senior Liens on the same categories of Revenues pursuant to the terms of the Indenture.

*“Senior Lien Bonds”* means General Revenue Bonds, PFC Revenue Bonds and Released Revenue Bonds but not Subordinate Lien Bonds, provided “Senior Lien Bonds” also includes Additional Senior Lien Bonds issued in compliance with the Indenture and obligations secured by a Senior Lien pursuant to the Indenture. A Hybrid Bond may be a Senior Lien Bond if it has a Senior Lien on a category of Revenues but then will only be a Senior Lien Bond as to such category.

The term “*series*” means all Bonds which (i) are issued on the same date, (ii) have the same tax status (tax-exempt or taxable under the Code and subject or not subject to the alternative minimum income tax), and (iii) have the same lien status and priority with respect to each category of Revenues on which any such Bonds have a lien; as well as all Bonds delivered in lieu of or in substitution for such Bonds pursuant to provisions of the Indenture with respect to exchange, transfer and replacement (for mutilation, loss, theft or destruction) of Bonds.

“*Series 2001 Bonds*” means, collectively, the Series 2001A Bonds and the Series 2001B Bonds.

“*Series 2001 Project*” means the Projects listed in the First Supplemental Indenture financed from the proceeds of the Series 2001A Bonds and the Series 2001B Bonds.

“*Series 2001 Project Account*” means the account of the Construction Fund funded with proceeds of Series 2001 Bonds and used to pay Costs of the Series 2001 Project.

“*Series 2001A Bonds*” means the State’s Bradley International Airport General Airport Revenue Bonds, Series 2001A, in the original aggregate principal amount of \$194,000,000, issued under the First Supplemental Indenture, currently outstanding in the aggregate principal amount of \$191,170,000.

“*Series 2001B Bonds*” means the State’s Bradley International Airport General Airport Revenue Refunding Bonds, Series 2001B, in the original aggregate principal amount of \$19,180,000, issued under the First Supplemental Indenture, currently outstanding in the aggregate principal amount of \$18,700,000.

“*Series 2004 Reserve Account Credit Facility*” means the surety bond issued by Financial Guaranty Insurance Company for deposit into the Series 2004 Subaccount of the Debt Service Reserve Account.

“*Special Purpose Facilities*” means facilities located at the Airport and owned by the State for which Special Purpose Revenue Bonds are issued and which (i) will not result, upon completion, in a material reduction in Net General Revenues, (ii) will not be of such a type or design that the subsequent closing thereof (with the functions thereof not provided by a substitute facility) will materially impair the general operations of the Airport and (iii) the State has designated, either in the Indenture or by notice to the Trustee, as “Special Purpose Facilities”; provided such facilities, if operated by the State, cease to be Special Purpose Facilities (and become General Revenue Facilities) when there are no longer any Outstanding Special Purpose Revenue Bonds related thereto. For purposes of this definition, a “material reduction” in Net General Revenues will be deemed to occur if the Net General Revenues for the first complete Fiscal Year following completion of such facilities will be either (1) more than 10% below Net General Revenues during the preceding Fiscal Year or (2) less than the amount required by Indenture.

“*Special Purpose Revenue Bonds*” means Bonds secured by a Senior Lien on Special Purpose Revenues.

“*Special Purpose Revenues*” means Revenues arising from or generated by one or more Special Purpose Facilities.

“*Special Record Date*” means, with respect to any Bond, the date established by the Trustee in connection with the payment of overdue interest on that Bond pursuant to the Indenture.

“*Standard & Poor’s*” or “*S&P*” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., or, if such corporation is dissolved or liquidated or otherwise ceases to perform securities rating services, such other nationally recognized securities rating agency as may be designated in writing by the State.

“*State*” means the State of Connecticut.

“*Subordinate Lien*” means a lien on one or more categories of Revenues which is not a Senior Lien.

“*Subordinate Lien Bonds*” means Bonds which only have a Subordinate Lien and obligations secured by a Subordinate Lien pursuant to the Indenture.

“*Supplemental Indenture*” means an indenture supplemental to the Indenture (which indenture itself may be supplemented by one or more indentures) to be adopted prior to and authorizing the issuance and delivery of any series of Bonds, including the First Supplemental Indenture and the Second Supplemental Indenture. Such an indenture as supplemented will establish the date or dates of the pertinent series of Bonds, the schedule of maturities of such Bonds, whether any such Bonds will be Compound Interest Bonds, the name of the purchaser(s) of such series of Bonds, the purchase price thereof, the rate or rates of interest to be borne thereby, whether fixed or variable, the interest payment dates for such Bonds, the terms and conditions, if any, under which such Bonds may be made subject to redemption (mandatory or optional) prior to maturity, the form of such Bonds, the liens relating to such Bonds, the Contracts, if any, relating to such Bonds, and such other details as the State may determine.

“*Tax-Exempt Bonds*” means any Bonds the interest on which has been determined, in an opinion of Bond Counsel, to be excludable from the gross income of the owners thereof for federal income tax purposes.

“*Term Bonds*” means Bonds which mature on one Principal Maturity Date yet a portion of which are required to be redeemed, prior to maturity, under a schedule of mandatory redemptions established by the Indenture.

“*Treasurer*” means the Treasurer of the State or, in the absence of the Treasurer, the Deputy Treasurer, or the Treasurer’s designated delegate.

“*Trustee*” means U.S. Bank National Association (as successor to State Street Bank and Trust Company), a bank organized and existing under the laws of the United States and authorized to exercise corporate trust powers in the State of Connecticut, having a place of business in Hartford, Connecticut, until a successor Trustee will have become such pursuant to



the applicable provisions of the Indenture, and thereafter “Trustee” will mean the successor Trustee.

“*Variable Rate*” means a rate of interest applicable to Bonds, other than a fixed rate of interest which applies to a particular maturity of Bonds so long as that maturity of Bonds remains Outstanding.

## **Security**

The Debt Service Requirements on all Bonds will be equally and ratably payable from, and secured by a pledge of and lien on, the Pledged Revenues as provided in the Indenture, except as otherwise provided with respect to the separate accounts of the Debt Service Reserve Account, and except as otherwise provided in the Indenture in connection with Subordinate Lien Bonds, Hybrid Bonds and Released Revenue Bonds.

Nothing in the Indenture will prevent payment of Debt Service Requirements on one series of Bonds from being otherwise secured and protected from sources or by property and instruments not applicable to another series of Bonds.

**The Bonds and related Contracts shall be special obligations of the State and shall not be payable from nor charged upon any funds other than the Pledged Revenues or other receipts, funds or moneys pledged therefor pursuant to the Indenture, nor shall the State or any political subdivision thereof be subject to any liability thereon except to the extent of such Pledged Revenues or the receipts, funds and moneys pledged pursuant to the Indenture. The issuance of Bonds and the entering into of related Contracts pursuant to the Indenture shall not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Bonds and any related Contracts shall not constitute a charge, lien or encumbrance, legal or equitable, upon any property of the State or of any political subdivision thereof, except as described in the Indenture.**

In accordance with the PFC Act and the PFC Regulations, the use of PFC Revenues is limited to the allowable costs of PFC Facilities.

## **Pledge of Revenues; Special Obligations; Contract Liens**

All Pledged Revenues are pledged to the prompt payment of the principal of, premium, if any, and interest on the Bonds, obligations treated as Senior Lien Bonds or Subordinate Lien Bonds pursuant to the Indenture and the State’s obligations under the Contracts; provided:

(1) General Revenues will secure only (A) General Revenue Bonds, (B) Subordinate Lien Bonds which have a lien on General Revenues, (C) Hybrid Bonds which have a lien on General Revenues, and (D) any related Contracts with respect to such Bonds.

(2) PFC Revenues will secure only (A) PFC Revenue Bonds, (B) Subordinate Lien Bonds which have a lien on PFC Revenues, (C) Hybrid Bonds which have a lien on PFC Revenues, and (D) any related Contracts with respect to such Bonds. PFC Revenues also may be applied to pay the allowable costs of PFC Facilities.

(3) Special Purpose Revenues will secure only (A) the related Special Purpose Revenue Bonds, (B) Subordinate Lien Bonds which have a lien on any related Special Purpose Revenues, (C) Hybrid Bonds which have a lien on any related Special Purpose Revenues, and (D) any related Contracts with respect to such Bonds.

(4) Released Revenues will secure only (A) the related Released Revenue Bonds, (B) Subordinate Lien Bonds which have a lien on any related Released Revenues, (C) Hybrid Bonds which have a lien on any related Released Revenues, (D) any related Contracts with respect to such Bonds and (E) separate agreements pursuant to the Indenture.

(5) A Contract may have a Senior Lien or a Subordinate Lien on a related category of Revenues, or no lien at all on Revenues, but (A) no Contract will have a lien on Revenues that is senior to the lien on the category of Revenues securing the Bonds related to the Contract, and (B) the lien of the Contract will be on parity with the lien of the related Bonds only to the extent that the payment of principal of, premium, if any, and interest on such Bonds is made through such Contract as evidenced by Reimbursement Obligations; provided other amounts due on a Contract may be secured by a lien ranking immediately following such lien with the priority set forth in the Indenture.

(6) Notwithstanding anything else in the Indenture to the contrary, for so long as the Parking Lease is in effect, all gross parking revenues subject to the Parking Lease will be Released Revenues and will be applied as set forth in the Parking Lease and in the trust indenture and custody agreement entered into by the State in connection with the State's issuance of the Parking Garage Bonds; provided that, amounts payable to the State in accordance with the Parking Lease (including guaranteed minimum payments and additional payments) are General Revenues of the Airport, subject to the provisions of the Prior Indenture.

Other Airport Obligations (other than obligations treated as Senior Lien Bonds or Subordinate Lien Bonds pursuant to the Indenture) will not be secured by a lien on any category of Revenues and Hybrid Bonds described in clause (ii) of the definition thereof will not have a lien on any category of Revenues, but such obligations, prior to an Event of Default, nevertheless may be paid from Revenues as described in the Indenture.

## **Funds and Accounts**

The following funds, accounts and subaccounts with respect to the Airport are established by the Indenture and the moneys deposited in such funds, accounts and subaccounts will be held in trust for the purposes set forth in the Indenture:

- (A) Bradley International Airport Revenue Fund
  - (1) General Revenue Account
  - (2) General Revenue Enhancement Account
  - (3) Released Revenue Account

Amounts on deposit from time to time in the General Revenue Account and the General Revenue Enhancement Account will constitute Pledged Revenues.



(B) Bradley International Airport PFC Revenue Fund

- (1) PFC Coverage Account
- (2) PFC Escrow Account

Amounts on deposit from time to time in the PFC Coverage Account will constitute Pledged Revenues.

(C) Bradley International Airport Debt Service Fund

- (1) Bond Service Account
- (2) Payments Account
- (3) Debt Service Reserve Account
  - (a) Series 2001A Subaccount
  - (b) Series 2001B Subaccount
  - (c) Series 2004 Subaccount
- (4) Capitalized Interest Account

Amounts on deposit from time to time in the accounts of the Debt Service Fund will constitute Pledged Revenues.

(D) Bradley International Airport General Airport Fund

- (1) Deposit Account

The State may create a general airport fund reserve account within the General Airport Fund.

(E) Bradley International Airport Improvement Fund

- (1) Deposit Account

(F) Bradley International Airport Construction Fund

- (1) Series 2001 Project Account

Amounts on deposit in the Series 2001 Project Account are being used to pay remaining costs of the Series 2001 Project and constitute Pledged Revenues.

(G) Bradley International Airport Cost of Issuance Fund

- (1) Series 2001A Account
- (2) Series 2001B Account
- (3) Series 2004 Account

Amounts on deposit from time to time in the Series 2004 Account will constitute Pledged Revenues; amounts on deposit in the Series 2001A Account and the Series 2001B Account have been spent.

(H) Bradley International Airport Rebate Account

## **Revenue Fund and PFC Revenue Fund**

The State will deposit and continue to deposit, from time to time as and when received, (i) all Revenues (other than PFC Revenues, Released Revenues relating to the Parking Lease and Special Purpose Revenues) and (ii) all PFC Revenues in the Revenue Fund.

The amounts deposited into the Revenue Fund immediately will be allocated to the account within the Revenue Fund designated therefor as follows:

- (i) General Revenues will be deposited to the General Revenue Account;
- (ii) Released Revenues will be deposited to the Released Revenue Account; provided that (A) Released Revenues relating to the Parking Lease will be deposited and applied as set forth in the Parking Lease and (B) to the extent so provided in the Supplemental Indenture or other agreement establishing additional categories of Released Revenues, such Released Revenues may be deposited as set forth therein without being deposited in the Revenue Fund; and
- (iii) Special Purpose Revenues will be deposited and applied as set forth in the agreements establishing the related Special Purpose Facilities.

Moneys in the Revenue Fund will be applied by or at the direction of the State from time to time to the following purposes and, prior to the occurrence and continuation of an Event of Default, in the order of priority determined by the State in its sole discretion:

- (i) to pay Operating Expenses (including amounts transferred from time to time to the Department of Transportation to pay Operating Expenses in accordance with the requirements of Section 15-101m of the Act), provided that amounts in the Released Revenue Account will be used only for Operating Expenses of the related Released Revenue Facilities;
- (ii) to deposit into the Debt Service Fund the amounts required by the Indenture;
- (iii) to deposit into the Debt Service Reserve Account the amounts required by the Indenture;
- (iv) to deposit into the Rebate Account the amounts required by the Indenture;
- (v) to pay to any party to a Contract the amounts due thereon, including Additional Interest, continuing commission or commitment fees, remarketing agent fees and repayment of amounts equivalent to principal on related Bonds, provided that, for any payments on a Contract, amounts may be drawn only from the accounts or subaccounts relating to the Revenues securing the Bonds related to such Contract, and, unless otherwise provided in the related Supplemental Indenture because a Credit Facility is intended to be drawn on for payments on Bonds, only after all payments then due with respect to the related Bonds have been made;

(vi) to pay any amounts required to be paid with respect to any Other Airport Obligations, provided that, for any payments with respect to any Other Airport Obligations, if such Other Airport Obligations relate to Released Revenue Facilities, then such payments will be made from available amounts in the Released Revenue Account and otherwise, such payments will be made from the General Revenue Account;

(vii) for transfer to the General Revenue Enhancement Account, the General Airport Fund or the Improvement Fund; and

(viii) for any other lawful purpose related to the Airport.

Upon the occurrence and continuation of an Event of Default, moneys in the Revenue Fund will be applied in accordance with the Indenture.

The General Revenue Enhancement Account has not been funded to date, but the State expects to deposit prior to June 30, 2004 approximately \$1.5 million into the General Revenue Enhancement Account from Revenues.

Amounts in the Released Revenue Account will be used only for deposits to accounts or subaccounts relating to Bonds Outstanding under the Indenture which have a lien on any Released Revenues or for other purposes permitted pursuant to the Indenture.

No payments may be made to a subaccount of the Bond Service Account or the Payments Account related to Subordinate Lien Bonds or Hybrid Bonds, or with respect to Contracts related to such Subordinate Lien Bonds or Hybrid Bonds, unless all required payments have been made with respect to Bonds, or Contracts related to Bonds, which have a lien on a category of Revenues prior to the lien of such Subordinate Lien Bonds or Hybrid Bonds. No payments may be made with respect to any Other Airport Obligations unless all required payments have been made with respect to Bonds and on all Contracts; provided if required by the terms thereof, obligations treated as Senior Lien Bonds or Subordinate Lien Bonds pursuant to the Indenture will be paid with the other Senior Lien Bonds or Subordinate Lien Bonds.

If at any time the amounts in the Bond Service Account are less than the amounts required by the Indenture, and there are not on deposit in the General Airport Fund available moneys sufficient to cure any such deficiency, then the Trustee will withdraw from accounts or subaccounts related to Subordinate Lien Bonds and Hybrid Bonds (taking such amounts first from accounts or subaccounts related to Subordinate Lien Bonds, pro rata, and second from Hybrid Bonds, pro rata) and deposit in the Bond Service Account the amount necessary (or all the moneys in such funds and accounts, if less than the amount required) to make up such deficiency.

PFC Revenues will be deposited initially into the PFC Coverage Account in each Fiscal Year until an amount has been deposited therein equal to 125% of the PFC Component of the Debt Service Requirements for the current Fiscal Year on the Series 2001A Bonds, as set forth in the First Supplemental Indenture. Thereafter PFC Revenues received during such Fiscal Year will be deposited into the PFC Escrow Account. In connection with the subsequent issuance of Additional PFC Revenue Bonds payable in whole or in part by a Senior Lien on PFC Revenues, PFC Revenues will be deposited into the PFC Coverage Account in each Fiscal Year until an

amount has been deposited therein equal to 125% of the PFC Component of the Debt Service Requirements for such Fiscal Year on the Series 2001A Bonds and such Additional PFC Revenue Bonds; provided that, the State may specify in the related Supplemental Indenture a different flow of funds for the related PFC Revenues consistent with then applicable law relating to the application of PFC Revenues. In the event that the State is unable to deposit into the PFC Coverage Account in any Fiscal Year the amount specified in this paragraph, such inability will not be an Event of Default unless it results in an Event of Default under the default provisions of the Indenture relating to unpaid interest or unpaid principal or premium on any Senior Lien Bond or under any related Contract. In determining compliance with the deposit requirements into the PFC Coverage Account set forth above, the calculation of the amount deposited for any Fiscal Year will include: (i) any balance remaining on deposit in the PFC Coverage Account from the preceding Fiscal Year and (ii) any amounts transferred during such Fiscal Year from the PFC Coverage Account to the Bond Service Account.

The amount on deposit in the PFC Coverage Account will be transferred from time to time (but in any event, not later than the Business Day prior to the payment date on which such amount is to be used) by the Trustee, at the direction of the State, to the Bond Service Account to be applied to pay the PFC Component of the Debt Service Requirements on the Series 2001A Bonds and any Additional PFC Revenue Bonds. Amounts in the PFC Coverage Account will be used only for deposits to accounts or subaccounts relating to Bonds which have a lien on PFC Revenues. Amounts in the PFC Escrow Account may be (i) transferred by the State to the Deposit Account of the Improvement Fund to pay allowable costs of PFC Facilities, (ii) transferred to the Bond Service Account or the Payments Account to be used for payments on related Bonds and Contracts or (iii) used for such other purpose as may be permitted pursuant to applicable law. When no PFC Revenue Bonds remain Outstanding, any amounts on deposit in the PFC Coverage Account will be transferred to the PFC Escrow Account and all PFC Revenues subsequently collected will be deposited into the PFC Escrow Account.

### **Debt Service Fund**

*Deposits to Bond Service Account and Payments Account.* Sufficient moneys will be paid in periodic installments from the General Revenue Account into (i) the Bond Service Account for the purpose of paying the Bonds as they become due and payable and (ii) the Payments Account for the purpose of making payments under Contracts. Amounts held in the Bond Service Account will not be used to pay Additional Interest. Amounts on deposit in the PFC Coverage Account to be applied for such purposes will be transferred by the Trustee on the Business Day immediately preceding the applicable Interest Payment Date, Principal Maturity Date or other payment date.

*Interest Payments.* Unless otherwise provided in the paragraph immediately above or in a Supplemental Indenture, on or before the 10<sup>th</sup> day preceding each Interest Payment Date for a series of Bonds, the State will direct the Trustee to deposit in the Bond Service Account an amount which, together with any other moneys already on deposit therein, in the PFC Coverage Account or in the Capitalized Interest Account and available to make such payment, is not less than the interest (excluding Additional Interest) coming due on such Bonds on such Interest Payment Date. Moneys so deposited into the Bond Service Account will be used solely to pay interest (excluding Additional Interest) on the Bonds when due or to pay Reimbursement

Obligations for Credit Facilities under which the Credit Issuer makes all interest payments on the Bonds. The State will also direct the Trustee to deposit and continue to deposit all Hedge Receipts under related Qualified Hedge Agreements and any payments from a Credit Issuer under a Credit Facility Agreement in the Bond Service Account from time to time as and when received.

*Principal Payments.* Unless otherwise described in the first paragraph under this caption or in a Supplemental Indenture, on or before the 10<sup>th</sup> day preceding each Principal Maturity Date for a series of Bonds, the State will direct the Trustee to deposit in the Bond Service Account an amount which, together with any other moneys already on deposit therein or in the PFC Coverage Account and available to make such payment, is not less than the principal coming due on such Bonds on such Principal Maturity Date. Moneys so deposited into the Bond Service Account will be used solely for the payment of principal of the Bonds as the same become due and payable at maturity or upon redemption or to pay Reimbursement Obligations for Credit Facilities under which the Credit Issuer makes all principal payments on the Bonds.

*Hedge Payments and Contract Payments.* Unless otherwise described in the first paragraph under this caption or in a Supplemental Indenture or a Hedge Agreement, on or before the 10<sup>th</sup> day preceding each payment date for Hedge Payments under Qualified Hedge Agreements, the State will direct the Trustee to deposit in the Payments Account an amount which, together with any other moneys already on deposit therein or in the PFC Coverage Account and available to make such payment, is not less than such Hedge Payments coming due on such payment date. Moneys so deposited into the Payments Account will be used solely to pay Hedge Payments under Qualified Hedge Agreements when due. Unless otherwise described in the first paragraph under this caption or in a Supplemental Indenture or a Contract, on or before the 10th day preceding each payment date for amounts due on Contracts (other than Qualified Hedge Agreements or for Reimbursement Obligations), including Additional Interest, continuing commission or commitment fees and remarketing fees, the State will direct the Trustee to deposit in the Payments Account an amount which, together with any other moneys already on deposit therein or in the PFC Coverage Account and available to make such payment, is not less than the amount coming due on such payment date. Moneys so deposited into the Payments Account will be used solely for such payments when due.

*Application of Moneys to Retire Bonds.* No further payments need be made into the Bond Service Account whenever the amount available for such purpose therein, if added to the amounts then available or allocated for such purpose in the Capitalized Interest Account, the PFC Coverage Account and any applicable subaccount of the Debt Service Reserve Account (without taking into account any amount available to be drawn on any applicable Reserve Account Credit Facility), is sufficient to retire all the Bonds then Outstanding and related Contracts and to pay all unpaid interest accrued and to accrue prior to such retirement. No moneys in the Bond Service Account will be used or applied to the optional purchase or redemption of Bonds prior to maturity unless: (i) provision has been made for the payment of all of the Bonds of the same series and all other Bonds having a parity or higher ranking lien on any category of Revenues securing such Bonds; or (ii) such Bonds are Senior Lien Bonds and such moneys are applied to the purchase and cancellation of such Bonds which are subject to mandatory redemption on the next mandatory redemption date, which falls due within 12 months, such Bonds are purchased at a price not more than would be required for mandatory



redemption, and such Bonds are cancelled upon purchase and credited against the redemption otherwise to be made on such mandatory redemption date; or (iii) such Bonds are Senior Lien Bonds and such moneys are applied to the purchase and cancellation of such Bonds at a price less than the amount of principal which would be payable on such Bonds, together with interest accrued through the date of purchase, and such Bonds are cancelled upon purchase; or (iv) such Bonds are Senior Lien Bonds and such moneys are in excess of the then required balance in the Bond Service Account allocated to such Bonds and are applied to redeem a part of such Bonds on the next succeeding optional redemption date for which the required notice of redemption may be given.

Whenever at the end of each Fiscal Year the amount of moneys in any account or subaccount of the Debt Service Fund exceeds the amount then currently required to be held therein, the excess will be transferred to the related account in the Revenue Fund; provided any excess in a subaccount of the Debt Service Reserve Account will be transferred to the Bond Service Account.

### **Capitalized Interest Account**

Amounts on deposit in the Capitalized Interest Account of the Debt Service Fund will be transferred by the Trustee to the Bond Service Account of the Debt Service Fund at the times and in the amounts set forth in the applicable Supplemental Indenture authorizing a series of Bonds and will be applied to pay interest when due on such series of Bonds.

### **Debt Service Reserve Account**

Upon the issuance of the Series 2004 Bonds, the State will deposit into the Series 2004 Subaccount of the Debt Service Reserve Account the Series 2004 Reserve Account Credit Facility, which constitutes a Reserve Account Credit Facility under the Indenture. There will be deposited into the same or separate subaccounts of the Debt Service Reserve Account the amounts, if any, specified in Supplemental Indentures with respect to Additional Bonds. After the issuance of any Additional Bonds, any increase in the amount of the Debt Service Reserve Requirement resulting from the issuance of Additional Bonds which also are secured by an existing subaccount of the Debt Service Reserve Account will be accumulated, to the extent not covered by deposits from Bond proceeds or funds on hand, over a period not exceeding 61 months from date of delivery of such Additional Bonds in monthly deposits, none of which is less than 1/60 of the amount to be accumulated. The balance of each subaccount of the Debt Service Reserve Account will be maintained at an amount equal to the Debt Service Reserve Requirement for the related Bonds (or such lesser amount that is required to be accumulated in such subaccount of the Debt Service Reserve Account in connection with the periodic accumulation to the Debt Service Reserve Requirement after the issuance of Additional Bonds or upon the failure of the State to provide a substitute Reserve Account Credit Facility in certain events). There will be transferred from the General Revenue Account on a *pro rata basis* (1) to each subaccount of the Debt Service Reserve Account relating to Bonds secured by a Senior Lien on General Revenues the amount necessary to restore the amount of cash and securities in such subaccount of the Debt Service Reserve Account to an amount equal to the difference between (a) the Debt Service Reserve Requirement for the related Bonds (or such lesser monthly amount that is required to be deposited into the Debt Service Reserve Account after the issuance

of Additional Bonds or upon the failure of the State to provide a substitute Reserve Account Credit Facility in certain events), and (b) the portion of the required balance of such subaccount of the Debt Service Reserve Account satisfied by means of a Reserve Account Credit Facility, and (2) to any Reserve Account Credit Facility Provider the amount necessary to reinstate any Reserve Account Credit Facility which has been drawn down.

Whenever for any reason the amount in the Bond Service Account available to make such payment, together with amounts available to make such payment on deposit in the Capitalized Interest Account and the PFC Coverage Account, is insufficient to pay all interest or principal falling due on any General Revenue Bonds within the next seven days, the State will make up any deficiency by transfers from the General Airport Fund. Whenever, on the date that such interest or principal is due on any Senior Lien Bonds, there are insufficient moneys in the Bond Service Account available to make such payment, the Trustee will, without further instructions, apply so much as may be needed of the moneys in the related subaccount, if any, of the Debt Service Reserve Account to prevent default in the payment of such interest or principal, with priority to interest payments. Whenever by reason of any such application or otherwise the amount remaining to the credit of the related subaccount of the Debt Service Reserve Account is less than the amount then required to be in such subaccount of the Debt Service Reserve Account, such deficiency will be remedied by not more than twelve equal monthly deposits from the related account or accounts of the Revenue Fund, to the extent funds are available in the related account or accounts of the Revenue Fund for such purpose after all required transfers set forth above have been made.

The State may elect to satisfy in whole or in part the Debt Service Reserve Requirement for any Bonds by means of a Reserve Account Credit Facility delivered to the Trustee, subject to the following requirements: (A) the Reserve Account Credit Facility Provider must have a credit rating issued by a Rating Agency not less than the greater of the then current Rating on the related series of Bonds or the second highest long-term Rating of such Rating Agency; (B) the State will not secure any obligation to the Reserve Account Credit Facility Provider by a lien equal to or superior to the lien granted to the related series of Bonds; (C) each Reserve Account Credit Facility will have a term of at least one year (or, if less, the remaining term of the related series of Bonds) and will entitle the Trustee to draw upon or demand payment and receive the amount so requested in immediately available funds in sufficient time to allow the Trustee to make the required payment from the Debt Service Reserve Account; (D) the Reserve Account Credit Facility will permit a drawing by the Trustee for the full stated amount in the event (i) the Reserve Account Credit Facility expires or terminates for any reason prior to the final maturity of the related series of Bonds, and (ii) the State fails to satisfy the Debt Service Reserve Requirement by the deposit to the Debt Service Reserve Account of cash, obligations, a substitute Reserve Account Credit Facility, or any combination thereof, on or before the date of such expiration or termination; (E) if the Rating issued by the Rating Agency to the Reserve Account Credit Facility Provider is withdrawn or reduced below the greater of the Rating assigned to the related series of Bonds immediately prior to such action by the Rating Agency or the second highest long-term Rating of such Rating Agency, the State will provide a substitute Reserve Account Credit Facility within 60 days after such rating change, and, if no substitute Reserve Account Credit Facility is obtained by such date, will fund the Debt Service Reserve Requirement in not more than 24 equal monthly deposits commencing not later than the first day of the month immediately succeeding the date representing the end of such 60-day period; and



(F) if the Reserve Account Credit Facility Provider commences any insolvency proceedings or is determined to be insolvent or fails to make payments when due on its obligations, the State will provide a substitute Reserve Account Credit Facility within 60 days thereafter, and, if no substitute Reserve Account Credit Facility is obtained by such date, will fund the Debt Service Reserve Requirement in not more than 24 equal monthly deposits commencing not later than the first day of the month immediately succeeding the date representing the end of such 60-day period. If the events described in either clauses (E) or (F) above occur, the Trustee will not relinquish the Reserve Account Credit Facility at issue until after the Debt Service Reserve Requirement is fully satisfied by the provision of cash, obligations, or a substitute Reserve Account Credit Facility or any combination thereof. Any amount received from the Reserve Account Credit Facility will be deposited directly into the Bond Service Account, and such deposit will constitute the application of amounts in the related subaccount of the Debt Service Reserve Account. Repayment of any draw-down on the Reserve Account Credit Facility (other than repayments which reinstate the Reserve Account Credit Facility) and any interest or fees due the Reserve Account Credit Facility Provider under such Reserve Account Credit Facility will be secured by a lien on Revenues subordinate to the lien of the related Bonds for payments into the Bond Service Account and the Rebate Account and payments on any Credit Facility Agreement securing the related Bonds.

Any such Reserve Account Credit Facility will be delivered to the Trustee and pledged to the benefit of the owners of all of the Bonds secured by it. The State reserves the right, if it deems it necessary in order to acquire such a Reserve Account Credit Facility, to amend the Indenture without the consent of any of the owners of the Bonds in order to grant to the Reserve Account Credit Facility Provider such additional rights as it may demand, provided that such amendment will not, in the written opinion of Bond Counsel filed with the State and the Trustee, impair or reduce the security granted to the owners of Bonds or any of them.

### **General Airport Fund**

In addition to the deposits to be made to the General Airport Fund pursuant to the Indenture as described above under “Revenue Fund and PFC Revenue Fund,” the State will deposit into the Deposit Account of the General Airport Fund all termination payments received under any Hedge Agreements. All sums accumulated and retained in the Deposit Account of the General Airport Fund will be used first to prevent default in the payment of interest on or principal of any General Revenue Bonds when due (prior to application of amounts in the Debt Service Reserve Account for such purpose) and then will be applied by the State from time to time, as and when the State determines, to the following purposes and in the order of priority determined by the State in its sole discretion: (a) for the purposes for which moneys held in the Revenue Fund may be applied under the Indenture, (b) to pay any amounts which may then be due and owing under any Hedge Agreement (including termination payments, fees, expenses, and indemnity payments), (c) to pay any governmental charges and assessments against the Airport or any part thereof which may then be due and owing, (d) for transfer to the Improvement Fund to make acquisitions, betterments, extensions, repairs, or replacements or other capital improvements (including the purchase of equipment) to the Airport deemed necessary by the State (including payments under contracts with vendors, suppliers, and contractors for the foregoing purposes), (e) to acquire any Senior Lien Bonds (other than Special Purpose Revenue Bonds) by redemption or by purchase in the open market at a price not

exceeding the then applicable redemption prices as provided and in accordance with the terms and conditions of the Indenture, prior to their respective maturities, and when so used for such purposes the moneys will be withdrawn from the General Airport Fund and deposited into the Bond Service Account, (f) for transfer to the General Revenue Enhancement Account and (g) for any other authorized Airport purposes.

The State may create a general airport fund reserve account within the General Airport Fund.

### **Improvement Fund**

The State will deposit into the Deposit Account of the Improvement Fund all amounts to be transferred into the Improvement Fund pursuant to the Indenture from the General Airport Fund and the PFC Escrow Account. Amounts on deposit in the Improvement Fund will be available only to pay costs of capital improvements at the Airport and related expenditures, as determined by the State, and will not otherwise be available for any other purpose under the Indenture until the costs of such capital improvements and related expenditures have been paid or reimbursed.

Except as otherwise directed by the State, but only to the extent permitted by applicable law, amounts transferred into the Improvement Fund from the PFC Escrow Account will be applied only to pay costs of acquisition of or capital improvements to PFC Facilities.

### **Construction Fund**

Except as otherwise provided in a Supplemental Indenture, completion of a Project will be evidenced by the submission by the State of a final disbursement requisition in connection with such Project. If any money remains in the Accounts in the Construction Fund created for the proceeds of a series of Bonds at the end of the Construction Period related thereto and payment, or provision for payment, in full of the costs of the Projects to be financed with the proceeds of that series of Bonds has been made, then such money will be used promptly, unless otherwise provided in the Supplemental Indenture relating thereto, for one or more of the following purposes at the direction of an Authorized Officer: (i) payment of Costs of additional Projects; (ii) payment of interest as it becomes due on that series of Bonds until all such excess amount is so used; (iii) retirement at their maturity of principal of Bonds issued to pay costs of Projects; (iv) deposit into the Bond Service Account for payment of Debt Service Requirements on Bonds other than Bonds of that series of Bonds; (v) purchase of Bonds in the open market; and (vi) redemption of Bonds to the extent permitted under the applicable Supplemental Indenture; provided that (A) with respect to clauses (ii) through (vi), such use and the manner in which it is proposed to be made will not, in the opinion of Bond Counsel or under ruling of the Internal Revenue Service, adversely affect the exclusion of the interest on any series of Bonds from the gross income of the Holders thereof for federal income tax purposes (to the extent that such Bonds were issued as Tax-Exempt Bonds), and (B) any money remaining in an Account in the Construction Fund for a Project after completion of the Project will be invested in accordance with the Code in such manner as not to adversely affect the exclusion of the interest on the Bonds from the gross income of the Holders thereof (to the extent that such Bonds were issued as Tax-Exempt Bonds).

In the event of the occurrence of an Event of Default under the Indenture, the balance in the Construction Fund will be deposited into the Debt Service Fund and applied as set forth in the Indenture. See “Defaults and Remedies” below.

### **Cost of Issuance Fund**

Amounts on deposit in an account of the Cost of Issuance Fund will be applied by the Trustee at the direction of an Authorized Officer of the State to pay costs of issuance of the applicable series of Bonds to the extent such costs qualify for payment from proceeds of the Bonds in accordance with the Code or as otherwise provided in the applicable Supplemental Indenture. Any moneys remaining in such account and not spent for such purpose will be transferred to the related Project Account and applied to pay costs of Projects. An amount of proceeds of the Series 2004 Bonds as set forth in the Second Supplemental Indenture will be deposited into the Series 2004 Account of the Cost of Issuance Fund.

### **Application of Proceeds of Refunding Bonds**

Proceeds of Bonds issued for refunding purposes (including refunding the outstanding Prior Bonds) will be deposited in such funds or accounts, including escrow funds held by an escrow trustee, as may be specified in the applicable Supplemental Indenture. Proceeds of the Series 2004 Bonds will be deposited into an escrow fund in the amount specified in the Second Supplemental Indenture to refund or retire at maturity all of the Outstanding Prior Bonds.

### **Rebate Account**

Amounts credited to the Rebate Account will be free and clear of any lien under the Indenture and will not be a part of the Pledged Revenues. Provision will be made in the Supplemental Indenture for each series of Bonds for the calculation of any amounts required to be paid to the United States pursuant to Section 148(f) of the Code or other applicable law and for the deposit of such amount in the Rebate Account.

### **Investment of Funds and Accounts**

Moneys in the funds and accounts established under the Indenture will be invested and reinvested at the direction of the State in Permitted Investments bearing interest at the highest rates reasonably available (except to the extent that a restricted yield is required or advisable under the Code) and containing such maturities as are deemed suitable by the State. In the absence of direction from the State as to the investment of any particular amount, such amount will be invested in the investments described in clause (b) of the definition of “Permitted Investments,” pending receipt of such direction. The Trustee is authorized, in making or disposing of any investment permitted by the Indenture, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether or not such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

Except as otherwise provided below or in a related Supplemental Indenture, Investment Earnings in each fund and account will be deposited into the General Revenue Account of the Revenue Fund. Investment Earnings from the investment of moneys in:

(1) each subaccount of the Debt Service Reserve Account will be retained in such subaccount of the Debt Service Reserve Account at all times that the balance is less than the respective Debt Service Reserve Requirement; thereafter and at all times that the balance of such subaccount of the Debt Service Reserve Account is equal to or greater than the respective Debt Service Reserve Requirement, such Investment Earnings will be deposited in the Bond Service Account and/or the Capitalized Interest Account, as directed in the related Supplemental Indenture to be applied to pay Debt Service Requirements on the related series of Bonds.

(2) the Construction Fund, the Bond Service Account and the Cost of Issuance Fund will be deposited as described in the related Supplemental Indenture into the Project Account to pay Costs of the Project and/or into the Bond Service Account and/or the Capitalized Interest Account to be applied to pay Debt Service Requirements on the related series of Bonds.

(3) the Capitalized Interest Account will be retained in such account.

(4) each account of the PFC Revenue Fund will be retained in such account.

The Supplemental Indenture authorizing the issuance of any Bonds may specify maturity limitations and different allocations of Investment Earnings on investments of moneys in the funds and accounts relating to such Bonds.

Moneys in each of such funds will be accounted for as a separate and special fund apart from all other funds of the State, provided that investments of moneys therein may be made in a pool of investments together with other moneys of the State so long as sufficient Permitted Investments in such pool, not allocated to other investments of contractually or legally limited duration, are available to meet the requirements of the foregoing provisions.

### **Covenants of the State**

*General Covenants.* In addition to any other covenants and agreements of the State contained in the Indenture, the State further covenants and agrees with the Holders and the Trustee as follows:

(i) *Payment of Debt Service Requirements.* The State will pay all the Debt Service Requirements, or cause them to be paid, solely from the sources provided under the Indenture, on the dates, at the places and in the manner provided in the Indenture.

(ii) *Performance of Covenants and Agreements.* The State will observe and perform faithfully at all times all covenants, agreements, authority, actions, undertakings, stipulations and provisions to be observed or performed on its part under the Indenture, each Supplemental Indenture, the Bonds and related Contracts that are executed, authenticated and delivered under the Indenture.

(iii) *Register.* The State agrees that at reasonable times and under reasonable regulations established by the Bond Registrar, the Register may be

inspected and copied by the Trustee, by the State, by Holders of 25% or more in aggregate principal amount of the Bonds then Outstanding, or a designated representative thereof.

(iv) *Enforcement of State's Obligations.* Each obligation of the State required to be undertaken pursuant to the Indenture and the Bonds is binding upon the State, and upon each officer or employee thereof as from time to time may have the authority under law to take any action on behalf of the State that may be necessary to perform all or any part of that obligation.

(v) *Operating Agreements.* The State will take all reasonable steps to enforce compliance by the other parties thereto with their obligations and agreements under any Operating Agreements, including the obligation of each Airline as a "Collecting Carrier" to collect and remit to the State all passenger facility charges at the Airport required by the PFC Regulations to be so collected and remitted; provided that the State may elect to let lapse without replacement, from time to time, any or all of the Operating Agreements and Concession Agreements from time to time in effect.

*Rate Covenant.* The State will continuously own, control, operate, and maintain the Airport in an efficient and economical manner and on a revenue producing basis and will at all times prescribe, fix, maintain and collect rates, fees and other charges for the services and facilities furnished by the Airport in an amount sufficient to:

(a)(i) pay all of the Airport's Operating Expenses as they become due and payable, (ii) pay all Debt Service Requirements on Bonds when due and payable, (iii) make all required deposits, if any, into the Debt Service Reserve Account and the Rebate Account, (iv) pay amounts required to be paid under any Contract or Other Airport Obligation when due and payable, and (v) remedy all deficiencies in required payments or deposits into the funds and accounts created under the Indenture;

(b) provide Net General Revenues in each Fiscal Year equal to at least:

(i) 120% of the Debt Service Requirements on all Bonds secured by a Senior Lien on General Revenues (including as Net General Revenues amounts on deposit in the General Revenue Enhancement Account and, for so long as any such Bonds also are secured by a Senior Lien on PFC Revenues, amounts on deposit in the PFC Coverage Account) and

(ii) 110% of the Debt Service Requirements on all Bonds secured by a Senior Lien on General Revenues (including as Net General Revenues, for so long as any such Bonds also are secured by a Senior Lien on PFC Revenues, amounts on deposit in the PFC Coverage Account, but not including amounts on deposit in the General Revenue Enhancement Account); and

(c) provide PFC Revenues in each Fiscal Year equal to at least 100% (or such other percentage which may be specified in a Supplemental Indenture with respect to Outstanding PFC



Revenue Bonds) of the Debt Service Requirements on PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues.

In connection with the issuance of Bonds under the Indenture which are not secured by a Senior Lien on General Revenues and/or PFC Revenues, the Supplemental Indenture authorizing such Bonds will specify the applicable rate covenant required to be met with respect to the related Revenues. In connection with the issuance by the State of PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues, the State must specify in the related Supplemental Indenture the rate covenant provision to be applicable with respect to such Bonds in accordance with clause (c) above under “Rate Covenant”; provided that, each Rating Agency with a Rating then in effect with respect to the Airport (without regard to any Credit Facility then in effect with respect to any Bonds) must indicate in writing to the State that the use of such rate covenant provision for purposes of clause (c) above under “Rate Covenant” will not, by itself, result in a reduction or withdrawal of such Rating. In no event will this provision be construed as requiring the Airport to impose passenger facility charges in excess of amounts permitted pursuant to the PFC Act.

If the State fails to prescribe, fix, maintain, and collect rates, fees, and other charges, or to revise such rates, fees, and other charges, in accordance with the provisions of this Section in any Fiscal Year, but the State in the next Fiscal Year has promptly taken all available measures to revise such rates, fees and other charges as advised by an Airport Consultant, there will be no Event of Default as described in clause (d) under “Defaults and Remedies – Events of Default” until at least the end of such next Fiscal Year and only then if Net Revenues are less than the amount required by this Section.

The rates, fees, and other charges will be classified in a reasonable manner to cover users of the services and facilities furnished by the Airport so that, as nearly as practicable, such rates, fees and other charges will be uniform in application to all users falling within any reasonable class.

*After-Acquired Property, Further Assurances.* All property and rights of every kind, real, personal or mixed, tangible or intangible, that may be acquired by the State out of the Pledged Revenues or used directly in connection with the Airport after the date hereof, and all such property constituting Pledged Revenues, will become and be subject to the Indenture immediately upon the acquisition or deposit thereof, without any further pledge or assignment, as fully and completely as though now owned by the State and specifically described and pledged in the granting clauses of the Indenture. At any and all times the State will do, execute, acknowledge and deliver, or will cause to be done, all such further acts and things, and cause to be executed, acknowledged and delivered all such further pledges, assignments and assurances for the better pledging, assigning, assuring and confirming unto the Trustee any and all properties and rights pledged under the Indenture and assigned or intended to be pledged and assigned, as the Trustee may reasonably require for better accomplishing the provisions and purposes of the Indenture, and for securing the payment of the Debt Service Requirements.

*Annual Operating Budget; Audited Financial Statements.* The State agrees to adopt an Annual Operating Budget for the Airport for each Fiscal Year which will permit the State to be in compliance with the rate covenant as stated above. The State also will cause to be prepared

annual financial statements for the Airport which will be audited by a firm of independent certified public accountants of recognized standing selected by the State. Such audit report will be prepared in accordance with applicable State law and relevant accounting standards and will be completed within 120 days of the end of each Fiscal Year. The Annual Operating Budget and the annual audit of the Airport will make distinctions among different categories of Revenues to comply with, and evidence compliance with, the provisions of the Indenture. The State will make available to the Trustee, who will make available to any Holder so requesting, a copy of the Annual Operating Budget then in effect and the most recent annual audited financial statements of the Airport.

*Maintenance of the Airport in Good Condition; Compliance with Applicable Laws.* The State covenants that it has and will continue to enforce reasonable rules and regulations governing the Airport and the operation thereof, that it will operate the Airport in an efficient and economical manner and will at all times maintain the Airport in good repair and in sound operating condition, that it will make all necessary repairs, renewals and replacements to the Airport, and that it will comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to the Airport and the State's operation thereof, including, but not limited to, the PFC Act and the PFC Regulations. The State will not take, or allow any person to take, any action or omit to take any action which would (i) cause the Administrator of the Federal Aviation Administration, Department of Transportation, or any successor to the powers and authority of such Administrator, to suspend or revoke the Airport's operating certificates issued under the Federal Aviation Act of 1958, or any successor statute, or (ii) cause the termination or reduction of the State's authority to impose passenger facility charges or prevent the collection and use of PFC Revenues as contemplated by the Indenture.

*Insurance.* The State will carry insurance (except to the extent such insurance is carried by an Airline or other obligor pursuant to an Operating Agreement) with generally recognized responsible insurers with policies payable to the State and the Trustee, as their interests may appear, against risks, accidents or casualties at least to the extent that similar insurance is usually carried by airport operators operating properties similar to the Airport. To the extent permitted under applicable law, the State may elect to self-insure any risk for which insurance otherwise would be required. The costs of any insurance will be paid as an Operating Expense. Proceeds of insurance will be applied for the purpose for which such proceeds were received. To the extent not otherwise applied to satisfy an obligation of the State to another Person, such insurance proceeds will be applied to repair or restore any loss or damage to the facilities of the Airport as a result of which such insurance proceeds were paid or such insurance proceeds will be deposited into the applicable account of the Revenue Fund.

*Sale, Lease or Encumbrance of Airport.* Except as expressly permitted in the Indenture, the State will not sell, lease, encumber or in any manner dispose of the Airport as a whole or in part until all of the Bonds and all interest thereon have been paid in full or provision for payment has been made in accordance with the Indenture.

The State has and reserves the right to sell, lease or otherwise dispose of any of the property comprising a part of the Airport in the following manner, if any one of the following conditions exists: (i) such property is not necessary for the operation of the Airport; (ii) such



property is not useful in the operation of the Airport; (iii) such property is not profitable in the operation of the Airport; or (iv) the disposition of such property will be advantageous to the Airport and will not materially adversely affect the security for the Bondholders. All proceeds of any such sale or disposition received by the State will be deposited in the Revenue Fund unless the State directs that amount be deposited in the Improvement Fund or the State is required to deliver such amounts to another Person.

*Tax Covenants.* To the extent that any series of Bonds is issued as Tax-Exempt Bonds, the State will comply with applicable tax covenants included in the related Supplemental Indenture, including making any required deposits into the Rebate Account for payment to the United States.

### **Additional Bonds**

*Delivery of Additional Bonds.* If the State determines to issue Additional Bonds, then in connection with such issuance the Trustee must receive, among other things, a written opinion of Bond Counsel, to the effect that:

(1) when executed for and in the name and on behalf of the State and when authenticated and released by the Trustee, those Bonds

(A) will be legal, valid and binding special obligations of the State, enforceable in accordance with their terms, subject to reasonable exceptions for bankruptcy, insolvency and similar laws and the application of equitable principles, and

(B) will be secured under the Indenture equally and on a parity with all other outstanding Bonds secured by a Senior Lien on the same category of Revenues as to the security of the Indenture (to the extent provided thereby and as specified in the applicable Supplemental Indenture), including the pledge of the Pledged Revenues thereunder, to provide for payment of the Debt Service Requirements on the Bonds, except as otherwise provided therein in connection with Subordinate Lien Bonds; and

(2) the issuance of the Bonds will not cause the interest on the outstanding Bonds to become includable in the gross income of the Holders for federal income tax purposes (to the extent those Bonds were issued as Tax-Exempt Bonds).

*Additional Senior Lien Bonds.* (a) Additional Senior Lien Bonds may be issued to refund any portion or all of a series of Senior Lien Bonds at maturity, upon redemption in accordance with their terms, upon defeasance, or upon payment or redemption with the consent of the owners of such Senior Lien Bonds, and the refunding Bonds so issued will constitute Senior Lien Bonds secured on a parity with any Bonds secured on a parity with the refunded Bonds, if all of the following conditions are satisfied:

(1) the State has obtained and delivered to the Trustee a report from an Independent Certified Public Accountant demonstrating that the refunding will reduce the total debt service payments on Outstanding Senior Lien Bonds, including payments on

related Contracts, which are secured on a parity basis with the Bonds to be refunded, all on a present value basis; or

(2) as an alternative to, and in lieu of, satisfying the requirements of clause (1) above, all Outstanding Senior Lien Bonds which are secured on a parity with the Bonds to be refunded are being refunded under arrangements which immediately result in making provision for the payment of such Bonds; and

(3) the requirements of clauses (2) and (5) of subsection (b) below, in addition to other requirements applicable to the delivery of Additional Bonds under the Indenture, are met with respect to such refunding Bonds.

(b) Additional Senior Lien Bonds (including refunding Bonds which do not meet the requirements of subsection (a) above) also may be issued on a parity with Outstanding Senior Lien Bonds pursuant to a Supplemental Indenture, and the Bonds so issued will be secured on a parity with such Outstanding Senior Lien Bonds, if all of the following conditions are satisfied:

(1) There has been procured and filed with the State and the Trustee either:

(A) a report by an Independent Certified Public Accountant to the effect that the historical related Net Revenues (for General Revenues, without consideration of (i) amounts in the General Revenue Enhancement Account, or (ii) gifts or grants or expenditures of such gifts or grants) for each of the two most recent audited Fiscal Years, were equal to at least 120% (for PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues, 100% or such other percentage which may be specified in a Supplemental Indenture with respect to Outstanding PFC Revenue Bonds) of the Maximum Annual Debt Service Requirement on all related Senior Lien Bonds which will be Outstanding immediately after the issuance of the proposed Additional Bonds and secured on a parity therewith, or

(B) a report by an Airport Consultant to the effect that in each Fiscal Year of the Forecast Period the forecasted related Net Revenues (for General Revenues, without consideration of (i) any amounts in the General Revenue Enhancement Account, or (ii) gifts or grants or expenditures of such gifts or grants) are expected to equal at least 125% (for PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues, 100% or such other percentage which may be specified in a Supplemental Indenture with respect to Outstanding PFC Revenue Bonds) of the Maximum Annual Debt Service Requirement on all Senior Lien Bonds which will be Outstanding immediately after the issuance of the proposed Additional Bonds and secured on a parity therewith.

The report by the Independent Certified Public Accountant that is required by clause (b)(1)(A) above may contain pro forma adjustments to historical related Net Revenues equal to 100% of the increased annual amount attributable to any revision in the schedule of rates, fees, and charges for the services and facilities furnished by the Airport, imposed prior to the date of delivery of the proposed Additional Bonds and not fully reflected in the historical related Net Revenues actually received during such historical period used. Such pro forma adjustments, if any, must be based upon a report of an Airport Consultant as to the amount of related Revenues

which would have been received during such period had the new rate schedule been in effect throughout such period.

In connection with the issuance by the State of PFC Revenue Bonds secured only by a Senior Lien on PFC Revenues, the State must specify in the related Supplemental Indenture the percentage applicable to the issuance of additional PFC Revenue Bonds for purposes of clauses (A) and (B) above under “Additional Senior Lien Bonds;” provided that, each Rating Agency with a Rating then in effect with respect to the Airport (without regard to any Credit Facility then in effect with respect to any Bonds) must indicate in writing to the State that the use of such percentage for purposes of clauses (A) and (B) above under “Additional Senior Lien Bonds” will not, by itself, result in a reduction or withdrawal of such Rating.

(2) The State has received and delivered to the Trustee, at or before issuance of the Additional Bonds, a report from an Independent Certified Public Accountant to the effect that the payments required to be made into each account or subaccount of the Debt Service Fund have been made and the balance in each account or subaccount of the Debt Service Fund and the Debt Service Reserve Account (to the extent that amounts are required to be on deposit therein) is not less than the balance required by the Indenture as of the date of issuance of the proposed Additional Bonds.

(3) If Senior Lien Bonds which are to be secured on a parity with such Additional Bonds are secured by amounts on deposit in a subaccount of the Debt Service Reserve Account, the Supplemental Indenture authorizing the proposed Additional Bonds must require (i) that the amount to be accumulated and maintained in such subaccount of the Debt Service Reserve Account, or in another subaccount of the Debt Service Reserve Account relating to such Additional Bonds, be increased to not less than 100% of the Debt Service Reserve Requirement computed on a basis which includes all Senior Lien Bonds which will be Outstanding and secured on a parity with the Additional Bonds immediately after the issuance of the proposed Additional Bonds and (ii) that the amount of such increase be deposited in such subaccount on or before the date and at least as fast as the rate specified in the Indenture.

(4) The Supplemental Indenture authorizing the proposed Additional Bonds must require the proceeds of such proposed Additional Bonds to be used solely to make capital improvements to the Airport, to fund interest on the proposed Additional Bonds, to refund other obligations issued for such purposes (whether or not such refunding Bonds satisfy the requirements of subsection (a) above), and to pay expenses incidental thereto and to the issuance of the proposed Additional Bonds.

(5) If any Additional Bonds would bear interest at a Variable Rate, the Supplemental Indenture under which such Additional Bonds are issued provides a maximum rate of interest per annum which such Additional Bonds may bear.

(c) Additional Senior Lien Bonds (including refunding Bonds which do not meet the requirements of subsection (a) above) which will not be secured on a parity with any Outstanding Senior Lien Bonds (because there are none with a Senior Lien on such Revenues)

may be issued, and the Bonds so issued will be Senior Lien Bonds, if all of the conditions of the Indenture are satisfied.

(d) Obligations which would be Other Airport Obligations but for the existence of a Senior Lien on a category of Revenues securing such obligations may be issued and so secured, and thereafter will be treated as Senior Lien Bonds, if all of the conditions of the Indenture are satisfied treating such obligations as Additional Bonds and the issuance and security documents therefor as Supplemental Indentures.

(e) If the Additional Senior Lien Bonds are to have Senior Liens on more than one category of Revenues, the requirements of subsection (b)(1) above must be met with respect to each category of Revenues to the extent that such category of Revenues is pledged to secure such Additional Senior Lien Bonds.

(f) Additional Senior Lien Bonds may be issued to refund any portion or all of the outstanding Prior Bonds at maturity, upon redemption in accordance with their terms, upon defeasance, or upon payment or redemption with the consent of the owners of such Prior Bonds, and the Bonds so issued will be Senior Lien Bonds secured on a parity with the Bonds, if all of the following conditions are satisfied:

(1) the State has obtained and delivered to the Trustee a report from an Independent Certified Public Accountant demonstrating that the refunding will reduce the total aggregate debt service payments on Outstanding Senior Lien Bonds secured by a Senior Lien on General Revenues and on the Prior Bonds (if any) to remain outstanding, including payments on related Contracts, all on a present value basis; or

(2) as an alternative to, and in lieu of, satisfying the requirements of (1), all Prior Bonds are being refunded under arrangements which immediately result in making provision for the payment of such Prior Bonds; and

(3) the requirements of issuing Additional Bonds under the Indenture and subsections (b)(2) and (5) above under "Additional Bonds" are met with respect to such refunding Bonds.

The Series 2004 Bonds are being issued pursuant to clause (2) above.

*Additional Subordinate Lien Bonds.* (a) Bonds also may be issued on a Subordinate Lien basis pursuant to a Supplemental Indenture, payable from, unless such Bonds are to be secured by PFC Revenues, moneys which otherwise would be deposited in the General Airport Fund, and the Bonds so issued will constitute Subordinate Lien Bonds, if all of the following conditions are satisfied:

(1) The Supplemental Indenture authorizing the Subordinate Lien Bonds provides that such Subordinate Lien Bonds will be junior and subordinate in lien and right of payment (A) directly, to any Outstanding Senior Lien Bonds or Senior Lien Bonds issued in the future which have a Senior Lien on a category of Revenues as to which such proposed Additional Bonds have a Subordinate Lien, and (B) indirectly (as a result of the requirements in the Indenture, to withdraw certain amounts at certain times

from subaccounts related to Subordinate Lien Bonds), to any other Outstanding Senior Lien Bonds or Senior Lien Bonds issued in the future.

(2) The Supplemental Indenture authorizing the Subordinate Lien Bonds, unless such Bonds are to be secured by PFC Revenues, establishes funds and accounts for the moneys which would otherwise be deposited in the General Airport Fund, to be used to pay debt service on the Subordinate Lien Bonds, to pay Hedge Payments under related Hedge Agreements, and to provide reserves therefor. If Subordinate Lien Bonds are to be secured by PFC Revenues, the Supplemental Indenture establishes funds and accounts for the moneys securing such Bonds, to be used to pay debt service on such Bonds, to pay Hedge Payments under related Hedge Agreements, and to provide reserves therefor.

(3) The requirements of clauses (4) and (5) of subsection (b) under “Additional Senior Lien Bonds” above, in addition to other requirements applicable to the delivery of Additional Bonds under the Indenture, are met with respect to such Subordinate Lien Bonds.

In connection with the issuance by the State of Subordinate Lien Bonds, each Rating Agency with a Rating then in effect with respect to the Airport (without regard to any Credit Facility then in effect with respect to any Bonds) must indicate in writing to the State that the issuance of such Subordinate Lien Bonds will not, by itself, result in a reduction or withdrawal of such Rating.

(b) In the event of any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization, or other similar proceedings in connection therewith, relative to the State or the Airport or to its creditors, as such, or to its property, and in the event of any proceedings for voluntary liquidation, dissolution, or other winding up of the State or the Airport, whether or not involving insolvency or bankruptcy, the owners of all Senior Lien Bonds then Outstanding and parties to related Contracts or Hedge Agreements will be entitled to receive payment in full of all principal and interest due on all such Senior Lien Bonds and related Contracts or Hedge Agreements in accordance with the provisions of the Indenture and related Contracts or Hedge Agreements before the owners of any Subordinate Lien Bonds having a Subordinate Lien on a category of Revenues as to which such Senior Lien Bonds have a Senior Lien or related Contracts or Hedge Agreements are entitled to receive any payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Indenture on account of principal of, premium, if any, or interest on the Subordinate Lien Bonds or related Contracts or Hedge Agreements.

(c) In the event that any of the Subordinate Lien Bonds are declared due and payable before their expressed maturities because of the occurrence of an event of default (under circumstances when the provisions of subsection (b) immediately above will not be applicable), no owners of such Subordinate Lien Bonds or parties to related Contracts or Hedge Agreements may receive any accelerated payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Indenture of principal of, premium, if any, or interest on such Subordinate Lien Bonds, payments on related Contracts or Hedge Payments under related Hedge Agreements, until the owners of all Senior Lien Bonds Outstanding having a Senior Lien on a category of Revenues as to which such Subordinate Lien Bonds have a Subordinate Lien



and parties to related Contracts or Hedge Agreements have received payment in full of all principal and interest on all such Senior Lien Bonds and all payments on related Contracts or Hedge Agreements.

(d) If any Event of Default has occurred and is continuing (under circumstances when the provisions of subsection (b) immediately above will not be applicable), the owners of all Senior Lien Bonds then Outstanding and parties to related Contracts or Hedge Agreements will be entitled to receive payment in full of all principal and interest then due on all such Senior Lien Bonds and related Contracts or Hedge Agreements before the owners of the Subordinate Lien Bonds or parties to related Contracts or Hedge Agreements are entitled to receive any payment from the Pledged Revenues or the amounts held in the funds and accounts created under the Indenture of principal of, premium, if any, or interest on the Subordinate Lien Bonds or payments under related Contracts or Hedge Agreements.

(e) Obligations which would be Other Airport Obligations but for the existence of a Subordinate Lien on a category of Revenues securing such obligations may be issued and so secured, and thereafter will be treated as Subordinate Lien Bonds, if all of the conditions of subsections (a) through (d) immediately above are satisfied treating such obligations as Subordinate Lien Bonds and the issuance and security documents therefor as Supplemental Indentures.

*Additional Special Purpose Revenue Bonds; Hybrid Bonds; Other Airport Obligations.* Additional Special Purpose Bonds may be issued after compliance with any requirements therefor set forth in any Supplemental Indenture related to such Bonds or Outstanding Special Purpose Bonds which will be secured on a parity with such Additional Special Purpose Bonds.

Bonds may be issued which are Hybrid Bonds, if, to the extent such Bonds will have a Senior Lien on a category of Revenues, the applicable requirements of the Indenture are met and, to the extent such Bonds will have a Subordinate Lien on a category of Revenues, the applicable requirements of the Indenture are met. The Bonds so issued will be treated as Subordinate Lien Bonds for purposes of the Indenture provided such treatment will not be applicable if an Event of Default has occurred with respect to Bonds that have a parity Senior Lien on the same category of Revenues as the Senior Lien on the same category of Revenues securing such Hybrid Bonds.

Hybrid Bonds which have no liens on a category of Revenues and Other Airport Obligations (other than obligations treated as Senior Lien Bonds or Subordinate Lien Bonds pursuant to the Indenture) may not be accelerated for purposes of being paid from Revenues and, upon an event described in clause (b) above under “Additional Subordinate Lien Bonds,” or an Event of Default, may not be paid from Revenues until the owners of all Senior Lien Bonds, Subordinate Lien Bonds and related Contracts or Hedge Agreements have been paid in full.

*Released Revenues; Securitizations.* A separable category or portion of revenues, income, receipts and money relating to a definable service, facility or program of the Airport may be withdrawn from General Revenues and thereafter treated as Released Revenues for all purposes, including the security for Released Revenue Bonds, if all of the following conditions are met:

(1) Filing with the State and the Trustee of a report of an Independent Certified Public Accountant to the effect that historical Net General Revenues, determined excluding the category of Revenues proposed to become Released Revenues and without consideration of any amounts in the General Revenue Enhancement Account, for each of the two most recent audited Fiscal Years prior to the date of such report were equal to at least 150%, of the Maximum Annual Debt Service Requirement on all General Revenue Bonds which will be Outstanding after the category of Revenues becomes Released Revenues;

(2) Rating Agency confirmation that the ratings on the respective Outstanding General Revenue Bonds will not be reduced as a result of such withdrawal of Released Revenues;

(3) Filing with the State and the Trustee of a written request of an Authorized Officer to release such category of Revenues, accompanied by a written certificate of the Authorized Officer and certifying the State is in compliance with all requirements of the Indenture; and

(4) Either the report described in clause (1) above must include statements to the effect that, or there must be filed a separate report of an Independent Certified Public Accountant to the effect that, there are sufficient internal accounting and fiscal operations management practices in place at the Airport to provide an adequate basis for the additional accounting and related procedures required as a result of the release of revenues from General Revenues and the subsequent treatment thereof as Released Revenues.

Upon compliance with the provisions described above, Released Revenues may be sold, leased or loaned to a related or unrelated Person in a securitization or other similar transaction wherein the State either receives the current estimated or present value calculated value of such Released Revenues or expects to receive a fee or other denominated amounts for the lease or loan of such Released Revenues.

For purposes of the Indenture, for so long as the Parking Lease remains in effect, the Parking Garage Bonds are Released Revenue Bonds, the parking facilities at the Airport are Released Revenue Facilities and the gross revenues derived from such parking facilities are Released Revenues, all without otherwise complying with the requirements of the Indenture. Amounts payable to the State, however, in accordance with the Parking Lease (including guaranteed minimum payments and additional payments) are General Revenues of the Airport, subject to the provisions of the Prior Indenture.

*Special Purpose Facilities.* Facilities at the Airport may be designated by the State as “Special Purpose Facilities” by the filing with the State and the Trustee of a certificate of an Authorized Officer with respect thereto if such facilities meet the definition of Special Purpose Facilities in the Indenture. There currently are no “Special Purpose Facilities.”

*Accession of Subordinate Lien Bonds and Related Contracts to Senior Lien Status.* By proceedings authorizing Subordinate Lien Bonds or a lien permitted by the Indenture, the State



may provide for the accession of such Subordinate Lien Bonds and related Contracts to the status of complete parity with any Senior Lien Bonds and related Contracts with a lien on the same category of Revenues if, as of the date of accession, the conditions of Indenture are satisfied, on a basis that includes all Outstanding Senior Lien Bonds with a lien on the same category of Revenues and such Subordinate Lien Bonds, and if on the date of accession:

(a) The subaccount of the Debt Service Reserve Account, if any, relating to the Senior Lien Bonds contains an amount equal to the Debt Service Reserve Requirement computed on a basis that includes all Outstanding Senior Lien Bonds with a lien on the same category of Revenues and such Subordinate Lien Bonds; and

(b) The accounts of the Debt Service Fund contain the amounts which would have been required to be accumulated therein on the date of accession if the Subordinate Lien Bonds had originally been issued as Senior Lien Bonds with a lien on the same category of Revenues.

*Credit Facilities and Hedge Agreements.* In connection with the issuance of any Bonds, the State may obtain or cause to be obtained one or more Credit Facilities providing for payment of all or a portion of the principal of, premium, if any, or interest due or to become due on such Bonds, providing for the purchase of such Bonds by the Credit Issuer, or providing funds for the purchase of such Bonds by the State. In connection therewith the State will enter into Credit Facility Agreements with such Credit Issuers providing for, among other things, (i) the payment of fees and expenses to such Credit Issuers for the issuance of such Credit Facilities; (ii) the terms and conditions of such Credit Facilities and the Bonds affected thereby; and (iii) the security, if any, to be provided for the issuance of such Credit Facilities. The State may secure any Credit Facility by an agreement providing for the purchase of the Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as are specified by the State in the applicable Supplemental Indenture. The State may in a Credit Facility Agreement agree to directly reimburse such Credit Issuer for amounts paid under the terms of such Credit Facility, together with interest thereon; provided, however, that no Reimbursement Obligation will be created for purposes of the Indenture until amounts are paid under such Credit Facility. Any such Reimbursement Obligation will be deemed to be a part of the Bonds to which the Credit Facility relates which gave rise to such Reimbursement Obligation, and references to principal and interest payments with respect to such Bonds will include principal and interest (except for Additional Interest and principal amortization requirements with respect to the Reimbursement Obligation that are more accelerated than the amortization requirements for the related Bonds, without acceleration) due on the Reimbursement Obligation incurred as a result of payment of such Bonds with the Credit Facility. All other amounts payable under the Credit Facility Agreement (including any Additional Interest and principal amortization requirements with respect to the Reimbursement Obligation that are more accelerated than the amortization requirements for the related Bonds, without acceleration) will be fully subordinate to the payment of debt service on the related class of Bonds. Any such Credit Facility will be for the benefit of and secure such Bonds or portion thereof as specified in the applicable Supplemental Indenture. Notwithstanding the other provisions hereof, the State's obligations under a Credit Facility which requires the Credit Issuer to make all interest payments due on the Bonds may be secured to the extent of such amounts by a pledge of, and lien on, the Pledged Revenues on a parity with the lien created by the Indenture

to secure the related Bonds, or may be wholly or partially subordinate in lien and right of payment to the payment of the Bonds, as determined by the State.

In connection with the issuance of any Bonds or at any time thereafter so long as such Bonds remain Outstanding, the State may enter into Hedge Agreements with Qualified Hedge Providers, and no other providers, with respect to any Bonds. The State will authorize the execution, delivery, and performance of each Qualified Hedge Agreement in a Supplemental Indenture, in which it will designate the related Hedged Bonds. The State's obligation to pay Hedge Payments on a Qualified Hedge Agreement may be secured by a pledge of, and lien on, the Pledged Revenues on a parity with the lien created by the Indenture to secure the related Hedged Bonds, or may be wholly or partially subordinate in lien and right of payment to the payment of the Bonds, as determined by the State.

### **Defeasance**

If (i) the State pays all of the Outstanding Bonds, or causes them to be paid and discharged, or if there otherwise will be paid to the Holders of the Outstanding Bonds, all the Debt Service Requirements due or to become due thereon, and (ii) provision also is made for the payment of all other amounts payable under the Indenture, including all fees and expenses of the Trustee, then the Indenture will cease, terminate and become null and void (except for those provisions described below).

Thereupon, and subject to the provisions below, if applicable, (i) the Trustee will release the Indenture (except for those provisions surviving by reason of the provisions below in the event the Bonds are deemed paid and discharged pursuant to the Indenture) and will sign and deliver to the State any instruments or documents in writing as required to evidence that release and discharge or as reasonably may be requested by the State, and (ii) the Trustee and any other Paying Agents will assign and deliver to the State any property then subject to the lien of the Indenture and which then may be in their possession, except amounts in the Debt Service Fund or other funds or accounts required to be held by the Trustee and the Paying Agents under the Indenture or otherwise for the payment of the Debt Service Requirements.

All or any part of the Bonds or any series of Bonds will be deemed to have been paid and discharged within the meaning of the Indenture, if: (a) the Trustee as paying agent or any Paying Agents receive, in trust for and irrevocably committed thereto, sufficient cash, or (b) the Trustee receives, in trust for and irrevocably committed thereto, Government Obligations that are certified by an independent public accounting firm or verification firm of national reputation to be of such maturities or redemption dates and interest payment dates, and to bear such interest, as will be sufficient together with any money to which reference is made in the Indenture, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom (which earnings are to be held likewise in trust and so committed, except as provided in the Indenture) for the payment of all the Debt Service Requirements on those Bonds, at their maturity or redemption dates, as the case may be, or if a default in payment has occurred on any maturity or redemption date, then for the payment of all the Debt Service Requirements thereon to the date of the tender of payment; provided that if any of those Bonds are to be redeemed prior to the maturity thereof, notice of that redemption will have been duly given or irrevocable provision satisfactory to the Trustee will have been duly made for the giving of that notice.

Any money held by the Trustee, as described above, may be invested by the Trustee only in Government Obligations having maturity dates, or having redemption dates which, at the option of the holder of those obligations, will be not later than the date or dates at which money will be required for the purposes described above. To the extent that any income or interest earned by, or increment to, such investments is determined from time to time by the Trustee to be in excess of the amount required to be held by the Trustee for such purposes, that income, interest or increment will be transferred at the time of that determination to the State free of any trust or lien.

Prior to any discharge of Bonds under the Indenture being effective, there must be delivered to the Trustee and the State a Favorable Opinion of Bond Counsel with respect to such discharge.

If any Bonds are deemed paid and discharged pursuant to the Indenture, the Trustee will cause a written notice to be given within 15 days after such Bonds are so deemed paid and discharged to each Holder as shown on the Register on the date on which such Bonds are deemed paid and discharged. Such notice will state the numbers of the Bonds deemed paid and discharged or state that all Bonds of a particular series are deemed paid and discharged, set forth a description of the obligations held pursuant to the Indenture and specify any date or dates on which any of the Bonds are to be called for redemption pursuant to notice of redemption given or irrevocable provisions made for such notice pursuant to the Indenture. The State may reserve the right to substitute obligations held pursuant to the Indenture with other obligations meeting the requirements of the Indenture, provided that such notice must state that the State has reserved such right; provided further that, prior to such substitution, there will be delivered to the State and the Trustee a Favorable Opinion of Bond Counsel with respect to such substitution.

Notwithstanding the foregoing, any provisions of the Supplemental Indenture and the Indenture that relate to the maturity of Bonds; the interest payments and dates thereof; the optional and mandatory redemption provisions; the credit against mandatory sinking fund requirements; the exchange, transfer and registration of Bonds; the replacement of mutilated, destroyed, lost or wrongfully taken Bonds; the safekeeping and cancellation of Bonds; the non-presentment of Bonds; the holding of money in trust; the payment or reimbursement of fees, charges and expenses of the Trustee, Bond Registrar and any Paying Agents and authenticating agents; the repayments to the State from the Debt Service Fund; covenants with respect to maintaining tax status of the Bonds; any provisions relating to the receipt or application of PFC Revenues required to remain in effect as a matter of federal law; the duties of the State, the Trustee, the Paying Agent and the Bond Registrar in connection with all of the foregoing; and the Trustee's rights described in the Indenture, will remain in effect and be binding upon the State, the Trustee, the Bond Registrar, the authenticating agents, the Paying Agents and the Holders notwithstanding the release and discharge of the Indenture. The provisions of the Indenture relating to defeasance will survive the release, discharge and satisfaction of the Indenture.

### **The Trustee**

In case a default or an Event of Default has occurred and is continuing under the Indenture (of which the Trustee has been notified, or is deemed to have notice), the Trustee will

exercise those rights and powers vested in it by the Indenture, and will use the same degree of care and skill in their exercise as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee will not be required to take notice, and will not be deemed to have notice, of any default or Event of Default under the Indenture except Events of Default described in paragraphs (a) and (b) under “Defaults and Remedies – Events of Default” below, unless the Trustee has actual notice thereof or is notified specifically of the default or Event of Default in a written instrument or document delivered to it by the State or by the Holders of at least 25% of the aggregate principal amount of the Senior Lien Bonds then Outstanding. In the absence of delivery of a notice satisfying those requirements, the Trustee may assume conclusively that there is no default or Event of Default, except as noted above. As used in the Indenture, the Trustee will be deemed to have “knowledge” of a particular fact or event if an officer or administrator of the Trustee’s corporate trust administration is deemed to have notice as described above or has actual knowledge thereof.

Before taking action under the Indenture, the Trustee may require that a satisfactory indemnity bond be furnished to it by the State or the Holders for the reimbursement of all reasonable and necessary out-of-pocket expenses (including reasonable counsel fees) that it may incur and to protect it against all liability by reason of any action so taken, except liability that is adjudicated to have resulted from its negligence or willful default.

In the event that payment of principal of or interest on any Bonds is secured by any Credit Facility, the Trustee will take such actions as require nominal expenditure of moneys by it to secure payment pursuant to the terms of such Credit Facility.

The Trustee may resign at any time from the trusts created by the Indenture by giving prior written notice of the resignation to the State, Bond Registrar, any Paying Agents and any authenticating agents and by mailing written notice of the resignation to the Holders as their names and addresses appear on the Register at the close of business three days prior to the mailing. The resignation will take effect only upon the appointment of a successor Trustee and the acceptance by the successor Trustee of the duties of the Trustee under the Indenture.

The Trustee may be removed at any time by an instrument or document or concurrent instruments or documents in writing delivered to the Trustee, with copies thereof mailed to the State, Bond Registrar, any Paying Agents and authenticating agents and signed by or on behalf of the Holders of not less than a majority in aggregate principal amount of the Senior Lien Bonds then Outstanding.

The Trustee also may be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of the Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the State, or the Holders of not less than 20% in aggregate principal amount of the Senior Lien Bonds then Outstanding under the Indenture.

Any removal of a Trustee under the Indenture will take effect only upon the appointment of a successor Trustee and the acceptance by the successor Trustee of the duties of the Trustee under the Indenture.

Any successor Trustee appointed pursuant to the Indenture must (i) be a trust company or a bank having the powers of a trust company, (ii) be in good standing within the State, (iii) be duly authorized to exercise trust powers within the State, (iv) be subject to examination by federal or state authorities, (v) be willing to accept the trusteeship under the terms and conditions of the Indenture, and (vi) have an unimpaired reported capital and surplus of not less than \$50,000,000.

## **Defaults and Remedies**

*Events of Default.* The occurrence of any of the following events is defined as and declared to be and to constitute an Event of Default under the Indenture:

(a) Failure to pay interest on any Senior Lien Bond or under any related Contract when and as that interest will become due and payable;

(b) Failure to pay the principal of or any premium on any Senior Lien Bond when and as that principal or premium will become due and payable, whether at stated maturity, by redemption or otherwise;

(c) Failure by the State to perform any obligation in respect to any subaccount in the Debt Service Reserve Account relating to Senior Lien Bonds which default will continue for 30 days thereafter;

(d) Failure by the State to observe or perform any other covenant, agreement or obligation of the State contained in the Indenture or in the Senior Lien Bonds or in any related Contract and the continuation of that failure for a period of 90 days after written notice of that failure is given to the State, which notice may be given by the Trustee in its discretion and will be given by the Trustee at the written request of the Holders of not less than, or a Credit Issuer securing not less than, 25% in aggregate principal amount of Senior Lien Bonds then Outstanding; provided that if the failure is other than the payment of money and is of such nature that it can be corrected but not within the applicable period, then that failure will not constitute an Event of Default so long as the State institutes curative action within the applicable period and diligently pursues that action to completion;

(e) Occurrence of an Event of Default under any Supplemental Indenture relating to Senior Lien Bonds or any related Contract;

(f) Failure by any Credit Issuer to pay the purchase price of Senior Lien Bonds under any Credit Facility then in effect;

(g) Delivery to the Trustee by a Credit Issuer of written notice stating that an “Event of Default” has occurred under any Credit Facility Agreement relating to Senior Lien Bonds; or



(h) Delivery to the Trustee by a Qualified Hedge Provider of written notice stating that an “Event of Default” has occurred under any Hedge Agreement;

provided if the Event of Default relates solely to Bonds or related Contracts related to a particular category of Revenues and no other event has occurred which, with the lapse of time or the delivery of notice or both, could become an Event of Default with respect to any other Bonds or related Contracts then Outstanding, such Event of Default will be deemed to apply solely to the related Bonds and Contracts and the provisions of the Indenture will otherwise remain in full force and effect with respect to all other Bonds and related Contracts.

The term “default” or “failure” as used in the Indenture means a default or failure by the State in the observance or performance of any of the covenants, agreements or obligations on its part to be observed or performed contained in the Indenture or in the Senior Lien Bonds or related Contracts, exclusive of any period of grace or notice required to constitute a default or failure as an Event of Default, as provided above.

Notwithstanding the foregoing, if, by reason of Force Majeure, as defined in the Indenture, the State is unable to observe or perform any covenant, agreement or obligation that would give rise to an Event of Default under the Indenture, the State will not be deemed in default during the continuance of such inability. However, the State promptly will give notice to the Trustee of the existence of an event of Force Majeure and will use its best efforts to remove the effects thereof; provided that the settlement of strikes or other such disturbances will be entirely within its discretion.

*Notice of Default.* If an Event of Default occurs, the Trustee will give written notice of the Event of Default, by registered or certified mail, to the State, the Bond Registrar, every Paying Agent and authenticating agent and each party to a related Contract within five days after the Trustee has knowledge of the Event of Default. If an Event of Default occurs of which the Trustee has notice pursuant to the Indenture, the Trustee will give written notice thereof, within 30 days after the Trustee’s receipt of notice of its occurrence, to the Holders of all Senior Lien Bonds then Outstanding as shown by the Register at the close of business 15 days prior to the mailing of that notice; provided that, except in the case of a default in the payment of the principal of or interest or any premium on any Bond or in the payment of any Debt Service Fund Requirements, the Trustee will be protected in withholding such notice if and so long as the Trustee in good faith determines that the withholding of notice to the Holders is in the interests of the Holders.

*Remedies.* Subject to the provisions of the Indenture permitting waivers of Events of Default, upon the occurrence and continuance of an Event of Default, the Trustee may pursue any available remedy to enforce the payment of the Debt Service Requirements or the observance and performance of any other covenant, agreement or obligation under the Indenture, any Credit Facility or any other instrument providing security, directly or indirectly, for the Senior Lien Bonds.

If, upon the occurrence and continuance of an Event of Default, the Trustee is requested so to do by the Holders of at least 25% in aggregate principal amount of Senior Lien Bonds then Outstanding, the Trustee (subject to the provisions of the Indenture relating to the rights and

obligations of the Trustee and permitting waivers of Events of Defaults, and to any direction by the Holders of a majority of the aggregate principal amount of the Senior Lien Bonds then Outstanding as to the method and place of conducting proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture) is required to exercise any rights and powers conferred by the Indenture.

From and after an Event of Default, notwithstanding the other provisions of the Indenture, deposits into the Bond Service Account and the Payments Account will be made monthly in an amount equal to the pro rata amount required to be on deposit in such Account on the next date on which a payment from such Account is required to be made, determined as of the date of such Event or Default or, if later, the date of the preceding payment.

Anything to the contrary in the Indenture notwithstanding, the Holders of a majority in aggregate principal amount of Senior Lien Bonds then Outstanding will have the right at any time to direct, by an instrument or document or instruments or documents in writing signed and delivered to the Trustee, the method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Indenture or any other proceedings under the Indenture; provided that (i) any direction will not be other than in accordance with the provisions of law and of the Indenture, (ii) any direction will be subject to the provisions of the Indenture, and (iii) the Trustee may take any other action that it deems to be proper and that is not inconsistent with the direction.

If an Event of Default occurs and continues, the Trustee will be entitled, as a matter of right and to the extent permitted by applicable law, to the appointment of a receiver for all or any part of the Airport and all of the Pledged Revenues, and the State consents to the appointment of such a receiver and covenants not to oppose any such appointment.

*Application of Money.* If an Event of Default occurs and has not been remedied, the Trustee will apply all Pledged Revenues as follows and in the following order of priority (subject to clause (e) below):

(a) Fees, Expenses and Advances of Trustee and any Paying Agent and the Bond Registrar – to the payment of any fees of, and of all costs, expenses, liabilities and advances paid, incurred or made by the Trustee and any Paying Agent and the Bond Registrar in the collection of money pursuant to any right given or action taken under the provisions of the Indenture (including, without limitation, reasonable attorneys' fees and expenses, except as limited by law or judicial order or decision entered in any action taken under the Indenture), provided that the amounts payable under this clause (a), if related to a particular series and therefore to a particular category of Revenues, will be paid first from such category and second from other categories of Revenues in amounts as determined by the Trustee, and if not so related to a particular series or category of Revenues, then from all Revenues as determined by the Trustee;

(b) Operating Expenses and Renewals and Replacements – then, within each category of Revenues, to the payment of all reasonable and necessary related Operating Expenses and major renewals and replacements to the related facilities at the Airport.



(c) Principal or Redemption Price, Interest on Senior Lien Bonds and Payments on related Contracts – then, within each category of Revenues, to the payment of the interest and principal or redemption price then due on the related Senior Lien Bonds and payments then due under related Contracts, all such moneys to be applied as follows:

first: to the payment to the Holders entitled thereto of all installments of interest then due on the Senior Lien Bonds, in the order of the maturity of such installments (with interest on defaulted installments of interest at the rate or rates borne by the Senior Lien Bonds with respect to which such interest is due, but only to the extent permitted by law), and, if the amount available will not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the Holders entitled thereto, without any discrimination or preference. If some of the Senior Lien Bonds bear interest payable at different intervals or upon different dates and if at any time moneys from the Debt Service Reserve Account must be used to pay any such interest, the moneys in the Debt Service Reserve Account will be applied (to the extent necessary) to the payment of all interest falling due on the dates upon which such interest is payable to and including the date six months after the date of application of such moneys. After such period, moneys in the Debt Service Reserve Account plus any other moneys available for such purpose in the Bond Service Account will be set aside for the payment of interest on Senior Lien Bonds of each class (a class consisting of all Senior Lien Bonds payable as to interest on the same dates) *pro rata* among Senior Lien Bonds of the various classes on a daily basis so that there accrues to each Holder of a Senior Lien Bond throughout each Fiscal Year the same proportion of the total interest payable to such Holder of a Senior Lien Bond as so accrues to every other Holder of a Senior Lien Bond during the Fiscal Year. As to any Compound Interest Bond which is a Senior Lien Bond, such interest will accrue on the Accreted Value of such Bond and be set aside on a daily basis until the next compounding date for such Bonds, whereupon it will be paid to the Holder of such Bond as interest on a defaulted obligation and only the unpaid portion of such interest (if any) will be treated as principal of such Bonds.

second: to interest portions of Reimbursement Obligations related to Senior Lien Bonds pursuant to the terms of the related Contracts.

third: to the payment to the Holders entitled thereto of the unpaid principal of any of the Senior Lien Bonds which will have become due at maturity or upon mandatory redemption prior to maturity (other than Senior Lien Bonds called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of their due dates, with interest upon such Senior Lien Bonds from the respective dates upon which they became due, and, if the amount available will not be sufficient to pay in full Senior Lien Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such

principal due on such date, to the Holders entitled thereto without any discrimination or preference. If some of the Senior Lien Bonds mature (including mandatory redemption prior to maturity as a maturity) upon a different date or dates and if at any time moneys from the Debt Service Reserve Account must be used to pay any such principal falling due, the moneys in the Debt Service Reserve Account not required to pay interest under paragraph first above will be applied to the extent necessary to the payment of all principal falling due prior to the date 12 months after the date of application of such moneys. After such period, moneys in the Debt Service Reserve Account not required to pay interest plus any other moneys available for such purpose in the Bond Service Account will be set aside for the payment of principal of Senior Lien Bonds of each class (a class consisting of all Senior Lien Bonds payable as to principal on the same date) *pro rata* among Senior Lien Bonds of the various classes which mature or must be redeemed pursuant to mandatory redemption prior to maturity throughout each Fiscal Year in such proportion of the total principal payable on each such Senior Lien Bond as will be equal among all classes of Senior Lien Bonds maturing or subject to mandatory redemption within such Fiscal Year. The Accreted Value of a Compound Interest Bond which is a Senior Lien Bond (except for interest which has been paid under paragraph first) will be treated as principal for purposes of this paragraph third.

fourth: to the payment of the principal portions of Reimbursement Obligations related to Senior Lien Bonds pursuant to the terms of the related Contracts.

fifth: to the payment of the redemption premium on and the principal of any Senior Lien Bonds called for optional redemption pursuant to their terms.

sixth: to the payment of all other amounts then due on Contracts related to Senior Lien Bonds.

(d) If a series of Senior Lien Bonds has a Senior Lien on more than one category of Revenues, payments will be made thereto under clause (c) *pro rata* as to the number of Senior Liens; provided if after such payments amounts are owed on such Bonds and amounts are remaining hereunder, payments thereon will be made from any category of Revenues as to which such series has a Senior Lien. If any amounts remain after payment under clause (c), further payments will be made with respect to all Subordinate Lien Bonds and Hybrid Bonds (to the extent not already paid) upon the same order and priority as used for Senior Lien Bonds under clause (c) within lien classifications as provided in the related Supplemental Indenture.

(e) Notwithstanding anything else in the Indenture to the contrary, payments made pursuant to clauses (b), (c) and (d) will be made by category of Revenues to related Bonds such that:

(i) Amounts traceable to General Revenues are used only for General Revenue Bonds and related Contracts;

(ii) Amounts traceable to PFC Revenues are used only for PFC Revenue Bonds and related Contracts to the extent permitted by the PFC Act and the PFC Regulations;

(iii) Amounts traceable to Released Revenues are used only for Released Revenue Bonds and related Contracts or otherwise as permitted by the Indenture; and

(iv) Amounts not traceable to particular categories of Revenues will be used first as General Revenues for purposes of this Section, then as PFC Revenues, then as other Released Revenues, and then as Special Purpose Revenues.

(f) Whenever money is to be applied, that money will be applied at such times, and from time to time, as the Trustee determines, having due regard for the amount of money available for application and the likelihood of additional money becoming available for application in the future. Whenever the Trustee will direct the application of that money, it will fix the date upon which the application is to be made, and upon that date, interest will cease to accrue on the amounts of principal, if any, to be paid on that date, provided the money is available therefor. The Trustee will give notice of the deposit with it of any money and of the fixing of that date, all consistent with the requirements of the Indenture for the establishment of, and for giving notice with respect to, a Special Record Date for the payment of overdue interest. The Trustee will not be required to make payment of principal of and any premium on a Bond to the Holder thereof, until the Bond is presented to the Trustee for appropriate endorsement or for cancellation if it is to be paid fully.

In accordance with the Act, Holders have no authority to appoint a separate trustee to represent them. A Holder will not have any right to institute any suit, action or proceeding for the enforcement of the Indenture, for the execution of any trust under the Indenture, or for the exercise of any other remedy under the Indenture, unless:

(a) there has occurred and is continuing an Event of Default of which the Trustee has been notified, as provided in the Indenture, or of which it is deemed to have notice thereunder,

(b) the Holders of at least a majority in aggregate principal amount of Senior Lien Bonds then Outstanding have made written request to the Trustee and have afforded the Trustee reasonable opportunity to proceed to exercise the remedies, rights and powers granted in the Indenture or to institute the suit, action or proceeding in its own name, and have offered indemnity to the Trustee as provided in the Indenture, and

(c) the Trustee, for 60 days thereafter, has failed or refused to exercise the remedies, rights and powers granted in the Indenture or to institute the suit, action or proceeding in its own name.

Nothing in the Indenture will affect or impair, however, the right of any Holder to enforce the payment of the Debt Service Requirements on any Bond owned by that Holder at and

after the maturity thereof, at the place, from the sources and in the manner expressed in that Bond.

*Waivers of Events of Default.* Except as otherwise provided, the Trustee will waive any Event of Default under the Indenture and its consequences upon the written request of the Holders of

(a) at least a majority in aggregate principal amount of all Senior Lien Bonds then Outstanding in respect of which an Event of Default in the payment of the Debt Service Requirements exists, or

(b) at least 25% in aggregate principal amount of all Senior Lien Bonds then Outstanding, in the case of any other Event of Default.

Such written request will take priority over other actions requested or authorized by the Holders.

There will not be so waived, however, any Event of Default described in the Indenture, unless at the time of that waiver, payments of principal of and interest and premium on the Bonds then due and payable, plus interest to the extent permitted by law on any overdue installments of interest at the rate borne by the Bonds in respect of which the default has occurred, has been duly paid or provision has been duly made therefor by deposit with the Trustee or Paying Agents. If such a waiver occurs, or any suit, action or proceedings taken by the Trustee on account of any Event of Default has been discontinued, abandoned or determined adversely to it, then the State, the Trustee and the Holders will be restored to their former positions and rights under the Indenture, respectively. No waiver or rescission will extend to any subsequent or other Event of Default or impair any right consequent thereon.

### **Supplemental Trust Indentures**

*Supplemental Indentures Not Requiring Consent of Bondholders.* The State and the Trustee, from time to time and at any time, subject to the conditions and restrictions in the Indenture, may enter into one or more Supplemental Indentures which thereafter will form a part of the Indenture, for any one or more or all of the following purposes:

(a) to add to the covenants and agreements of the State in the Indenture other covenants and agreements thereafter to be observed or to surrender, restrict or limit any right or power reserved in the Indenture to or conferred upon the State (including but not limited to the right to issue Additional Bonds);

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the State may deem necessary or desirable and not inconsistent with the Indenture;

(c) to subject to the lien and pledge of the Indenture additional revenues, receipts, properties, or other collateral;

(d) to evidence the appointment of successors to any depositories, Paying Agent(s), or Bond Registrar(s);

(e) to modify, amend or supplement the Indenture in such manner as to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or any federal statute hereinafter in effect, and similarly to add to the Indenture such other terms, conditions and provisions as may be permitted or required by such Trust Indenture Act of 1939 or similar federal statute;

(f) to make any modification or amendment of the Indenture required in order to make any Bonds eligible for acceptance by DTC or any similar holding institution or to permit the issuance of any Bonds or interests therein in book-entry form;

(g) to modify any of the provisions of the Indenture in any respect if such modification will not become effective until after all the Bonds Outstanding immediately prior to the effective date of such Supplemental Indenture ceases to be Outstanding and if any Bonds issued contemporaneously with or after the effective date of such Supplemental Indenture will contain a specific reference to the modifications contained in such subsequent proceedings;

(h) to modify the provisions of the Indenture with respect to the disposition of any moneys remaining in the Construction Fund upon the completion of any Project or to revise, enlarge or reduce the definition or description of any particular Project;

(i) to create additional subaccounts or to abolish any subaccounts within any account, or to change the amount of the Debt Service Reserve Requirement, but not below the amount specified in such definition;

(j) to modify the Indenture to permit the qualification of any Bonds for offer or sale under the securities laws of any state in the United States of America;

(k) to provide for the issuance of Additional Bonds or Subordinate Lien Bonds permitted to be issued under the Indenture, including specifying matters as contemplated by provisions of the Indenture relating to issuance of Additional Bonds and applicable rate covenant provisions and such other modification of the provisions of the Indenture relating to such Additional Bonds or Subordinate Lien Bonds which the State deems necessary or desirable for that purpose;

(l) to make such modifications in the provisions of the Indenture as may be deemed necessary by the State to accommodate the issuance of the Bonds which (i) are Compound Interest Bonds (including, but not limited to, provisions for determining the Debt Service Requirements for such Compound Interest Bonds and for treatment of Accreted Value in making such determination) or (ii) bear interest at a Variable Rate;

(m) to permit the State to sell or assign, in whole or in part, ownership of the Airport and/or the authority to control, operate and/or maintain the Airport to a Person authorized by the laws of the State to assume such ownership and/or authority; provided that, (i) such Person is a party to a Supplemental Indenture and agrees therein to observe and perform on a timely basis, on behalf of the State, all of the obligations and agreements of the State contained in the

Indenture that have been assigned to such Person, (ii) for any Outstanding Bonds which are assigned a Rating and which are not secured by a Credit Facility providing for the payment of the full amount of principal and interest to be paid thereon, each Rating Agency has given written notification to the State that such sale or assignment will not cause the then applicable Rating on any Bonds to be reduced or withdrawn and (iii) for any Outstanding Bonds which are secured by Credit Facilities providing for the payment of the full amount of the principal and interest to be paid thereon, each Credit Issuer has consented in writing to such sale or assignment; and

(n) to modify any of the provisions of the Indenture in any respect (other than a modification of the type described in the Indenture requiring the unanimous written consent of the Holders); provided that (i) for any Outstanding Bonds which are assigned a Rating and which are not secured by a Credit Facility providing for the payment of the full amount of principal and interest to be paid thereon, each Rating Agency has given written notification to the State that such modification will not cause the then applicable Rating on any Bonds to be reduced or withdrawn and (ii) for any Outstanding Bonds which are secured by Credit Facilities providing for the payment of the full amount of the principal and interest to be paid thereon, each Credit Issuer has consented in writing to such modification.

Any Supplemental Indenture authorized by the provisions of the Indenture may be entered into by the State and the Trustee without the consent of or notice to the owners of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of the Indenture. Any such Supplemental Indenture may modify the provisions of the Indenture in such a manner, and to such extent and containing such provisions, as the State may deem necessary or desirable to effect any of the purposes stated above. The term “modify” means “modify, amend or supplement” and the term “modification” means “modification, amendment or supplement.”

The provisions above and below will be interpreted by category of Revenues such that each provision of any Supplemental Indenture will be reviewed for compliance with such sections upon its effect on the Bonds secured by the related category of Revenues and whether the consent of any holders, of a majority of holders of a certain category of Bonds or the consent of all such holders will be determined with respect to each category of Revenues. Supplemental Indentures may be entered into containing provisions which (1) do not require the consents of any holders, (2) require the consents of some but not all holders of Bonds related to a category of Revenues, (3) require the consents of some but not all holders of Bonds related to several categories of Revenues, (4) require the consents of all holders of Bonds related to a category of Revenues, (5) require the consents of all holders of Bonds related to several categories of Revenues, (6) require the consents of all holders of Bonds, or (7) are covered in a combination of some or all of clauses (1) through (6).

*Supplemental Indentures Requiring Consent of Bondholders.* With the consent of the owners of not less than a majority in aggregate principal amount of the Outstanding Bonds of each class (senior and subordinate), voting separately by class, of each series of Bonds related to an affected category of Revenues or related Bonds, the State and the Trustee may from time to time and at any time enter into a Supplemental Indenture for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any Supplemental Indenture; provided, however, that no such Supplemental Indenture will: (a)



extend the maturity date or due date of any mandatory sinking fund redemption with respect to any Bond Outstanding under the Indenture; (b) reduce or extend the time for payment of principal of, redemption premium, or interest on any Bond Outstanding under the Indenture; (c) reduce any premium payable upon the redemption of any Bond under the Indenture or advance the date upon which any Bond may first be called for redemption prior to its stated maturity date; (d) give to any Bond or Bonds (or related Contracts) a preference over any other Bond or Bonds (or related Contracts) not already permitted by the Indenture; (e) permit the creation of any lien or any other encumbrance on the Pledged Revenues having a lien equal to or prior to the lien created under the Indenture for the Senior Lien Bonds; (f) reduce the percentage of owners of any class of Bonds required to approve any such Supplemental Indenture; or (g) deprive the owners of the Bonds of the right to payment of the Bonds or from the Pledged Revenues, without, in each case, the consent of the owners of all the Bonds then Outstanding of the category of Bonds affected thereby. No amendment may be made under the Indenture which affects the rights or duties of any Credit Issuer securing any of the Bonds or any Qualified Hedge Provider under any Hedge Agreement without its written consent. The provisions of this paragraph will be strictly construed such that Supplemental Indentures requiring the consents of owners of Bonds will be limited to those clearly falling within one of the enumerated categories.

Notwithstanding any provision of the Indenture to the contrary, upon the issuance of a Credit Facility to secure any Bonds and for the period in which such Credit Facility is outstanding, the Credit Issuer may have the consent rights of the owners of the Bonds which are secured by such Credit Facility pertaining to some or all of the amendments or modifications of the Indenture, to the extent provided in the applicable Supplemental Indenture. Notwithstanding the foregoing, if a Credit Issuer is granted the consent rights of the owners of any Bonds in a Supplemental Indenture and refuses to exercise such consent rights, either affirmatively or negatively, then the registered owners of the Bonds secured by the related Credit Facility may exercise such consent rights.

*Favorable Opinion of Bond Counsel.* The State and the Trustee may not enter into a Supplemental Indenture unless the State causes to be delivered to the Trustee a Favorable Opinion of Bond Counsel with respect to such Supplemental Indenture.

### **Special Provisions Relating to the Bond Insurer**

So long as the Bond Insurance Policy or the Series 2004 Reserve Account Credit Facility remain in effect for the Series 2004 Bonds, the Indenture provides for, among other matters, procedures for draws by the Trustee under the Bond Insurance Policy and the Series 2004 Reserve Account Credit Facility, certain notices to the Bond Insurer and certain minimum requirements relating swap providers, variable rate indebtedness, defeasance provisions, the rate covenant and the additional bonds test. In addition, the Bond Insurer, as issuer of the Bond Insurance Policy and the Series 2004 Reserve Account Credit Facility, will have certain rights, including the following:

1. Except for the giving of notice of default to bondholders, the Bond Insurer will be deemed to be the sole holder of the Series 2004 Bonds for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy. In determining whether a payment default has occurred or whether a payment on



the Series 2004 Bonds has been made under the Indenture, no effect will be given to payments made under the Bond Insurance Policy.

2. Any amendment or supplement to the Indenture will be subject to the prior written consent of the Bond Insurer.
3. The State must reimburse draws under the Series 2004 Reserve Account Credit Facility, together with interest and any expenses (collectively, "Policy Costs"), with the same priority as draws from the Debt Service Reserve Account on a monthly basis in an amount equal to 1/12 of the Policy Costs.
4. If the State fails to pay Policy Costs as described in accordance with the preceding paragraph, the Bond Insurer will be entitled to exercise any and all remedies available at law or in equity or under the Indenture other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect Bondholders.
5. The Indenture may not be discharged until all Policy Costs owing to the Bond Insurer have been paid in full.
6. The Bond Insurer will be granted a security interest in the Pledged Revenues as security for repayment of Policy Costs, subordinate only to that of the Bondholders.
7. No Additional Bonds may be issued without the Bond Insurer's written consent if any Policy Costs are past due and owing to the Bond Insurer.

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE AGREEMENT

*In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the State of Connecticut (the "State") will agree, pursuant to a Continuing Disclosure Agreement for the Bonds to be executed by the State substantially in the following form, to provide, or cause to be provided, (i) certain annual financial information and operating data and (ii) timely notice of a failure by the State to provide the required annual financial information on or before the date specified in the Continuing Disclosure Agreement for the Bonds.*

#### **Continuing Disclosure Agreement**

This Continuing Disclosure Agreement ("Agreement") is made as of the 8th day of July, 2004 by the State of Connecticut (the "State") acting by its undersigned officer, duly authorized, in connection with the issuance of \$30,640,000 State of Connecticut Bradley International Airport, General Airport Revenue Refunding Bonds, Series 2004, dated July 8, 2004 (the "Bonds"). The Bonds are being issued pursuant to a Trust Indenture dated as of March 1, 2001, between the State and U.S. Bank National Association (as successor to State Street Bank and Trust Company) as trustee (the "Trustee"), as amended by a First Supplemental Trust Indenture, dated as of March 1, 2001, and a Second Supplemental Trust Indenture, dated as of May 1, 2004, between the State and the Trustee (collectively, the "Indenture") for the benefit of the beneficial owners from time to time of the Bonds.

**Section 1. Definitions.** For purposes of this Agreement, the following capitalized terms shall have the following meanings:

"Final Official Statement" means the official statement of the State dated May 13, 2004 prepared in connection with the Bonds.

"MSRB" means the Municipal Securities Rulemaking Board established under the Securities Exchange Act of 1934, as amended, or any successor thereto.

"NRMSIR" means any nationally recognized municipal securities information repository recognized by the SEC from time to time. As of the date of this Agreement the NRMSIRs are:

Bloomberg Municipal Repository  
100 Business Park Drive  
Skillman, New Jersey 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
[http://www.bloomberg.com/markets/muni\\_contactinfo.html](http://www.bloomberg.com/markets/muni_contactinfo.html)  
Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
<http://www.dpcdata.com>  
Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

FT Interactive Data  
Attn: NRMSIR  
100 William Street  
New York, NY 10038  
Phone: (212) 771-6999  
Fax: (212) 771-7391  
<http://www.interactivedata.com>  
Email: [NRMSIR@FTID.com](mailto:NRMSIR@FTID.com)

Standard & Poor's Securities Evaluations, Inc.  
55 Water Street - 45th Floor  
New York, NY 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
[www.jjkenny.com/jjkenny/pser\\_decrip\\_data\\_rep.html](http://www.jjkenny.com/jjkenny/pser_decrip_data_rep.html)  
Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

“Rule” means rule 15c2-12 under the Securities Exchange Act of 1934, as of the date of this Agreement.

“SEC” means the Securities and Exchange Commission of the United States, or any successor thereto.

“SID” means any state information depository established or designated by the State of Connecticut and recognized by the SEC from time to time. As of the date of this Agreement, no SID has been established or designated by the State of Connecticut.

## **Section 2. Annual Financial Information.**

(a) The State agrees to provide or cause to be provided to each NRMSIR and any SID, in accordance with the provisions of the Rule and of this Agreement, annual financial information and operating data (commencing with information and data for the fiscal year ending June 30, 2004) as follows:

(i) Financial statements of the Airport for the prior fiscal year, which statements shall be prepared in accordance with generally accepted accounting principles or mandated state statutory principles as in effect from time to time. As of the date of this

Agreement, the Airport's financial statements are prepared in accordance with generally accepted accounting principles. The financial statements will be audited.

(ii) To the extent not included in the financial statements described in (i) above, the financial information and operating data within the meaning of the Rule described below (with references to the Final Official Statement); provided, however, that references to the Final Official Statement for the Bonds as a means of identifying such financial information and operating data shall not prevent the State from reorganizing such material in subsequent official statements or annual information reports:

1. Bradley International Airport-Historic Enplaned Passengers (INTRODUCTION – Bradley International Airport – Table 1 on page 2);
2. Bradley International Airport Monthly Enplaned Passengers (BRADLEY INTERNATIONAL AIRPORT – Introduction – Table 3 on page 24);
3. Bradley International Airport Detail Enplaned Passenger Market Share (BRADLEY INTERNATIONAL AIRPORT – Introduction – Table 4 on page 25);
4. Bradley International Airport Historic Cargo Tonnage (BRADLEY INTERNATIONAL AIRPORT – Introduction – Table 5 on page 26);

(b) The financial statements and other financial information and operating data described above will be provided on or before the date eight months after the close of the fiscal year for which such information is being provided. The State's fiscal year currently ends on June 30.

(c) Annual financial information and operating data may be provided in whole or in part by cross-reference to other documents previously provided to each NRMSIR, any SID, or the SEC. If the document to be cross-referenced is a final official statement, it must be available from the MSRB. All or a portion of the financial information and operating data may be provided in the form of a comprehensive annual financial report or an annual information statement of the State.

(d) The State reserves the right (i) to provide financial statements which are not audited if no longer required by law, (ii) to modify from time to time the format of the presentation of such information or data, and (iii) to modify the accounting principles it follows to the extent required by law, by changes in generally accepted accounting principles, or by changes in mandated state statutory principles as in effect from time to time; provided that the State agrees that the exercise of any such right will be done in a manner consistent with the Rule.

### **Section 3. Material Events.**

The State agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of the occurrence of any of the following events with respect to the Bonds, if material:

- (a) principal and interest payment delinquencies;
- (b) non-payment related defaults;
- (c) unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) substitution of credit or liquidity providers, or their failure to perform;
- (f) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (g) modifications to rights of holders of the Bonds;
- (h) Bond calls;
- (i) Bond defeasances;
- (j) release, substitution, or sale of property securing repayment of the Bonds; and
- (k) rating changes.

**Section 4. Notice of Failure to Provide Annual Financial Information.**

The State agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB and (ii) any SID, notice of any failure by the State to provide annual financial information as set forth in Section 2(a) hereof on or before the date set forth in Section 2(b) hereof.

**Section 5. Use of Agents.**

Annual financial information and operating data and notices to be provided pursuant to this Agreement may be provided by the State or by any agents which may be employed by the State for such purpose from time to time.

**Section 6. Termination.**

The obligations of the State under this Agreement shall terminate upon the earlier of (i) payment or legal defeasance, at maturity or otherwise, of all of the Bonds, or (ii) such time as the State ceases to be an obligated person with respect to the Bonds within the meaning of the Rule.

**Section 7. Enforcement.**

The State acknowledges that its undertakings set forth in this Agreement are intended to be for the benefit of, and enforceable by, the beneficial owners from time to time of the Bonds. In the event the State shall fail to perform its duties hereunder, the State shall have the option to cure such failure within a reasonable time (but not exceeding 30 days with respect to the undertakings set forth in Section 2 of this Agreement or five business days with respect to the undertakings set forth in Sections 3 and 4 of this Agreement) from the time the State's Assistant Treasurer for Debt Management, or a successor, receives written notice from any beneficial

owner of the Bonds of such failure. The present address of the Assistant Treasurer for Debt Management is 55 Elm Street, 6th Floor, Hartford, Connecticut 06106.

In the event the State does not cure such failure within the time specified above, the beneficial owner of any Bonds shall be entitled only to the remedy of specific performance. The State expressly acknowledges and the beneficial owners are hereby deemed to expressly agree that no monetary damages shall arise or be payable hereunder nor shall any failure to comply with this Agreement constitute an event of default with respect to the Bonds, including, without limitation, an Event of Default under the Indenture, or a breach of any duty or obligation of the Trustee under the Indenture.

**Section 8. Miscellaneous.**

(a) The State shall have no obligation to provide any information, data or notices other than as set forth in this Agreement; provided however, nothing in this Agreement shall be construed as prohibiting the State from providing such additional information, data or notices from time to time as it deems appropriate in connection with the Bonds. If the State elects to provide any such additional information, data or notices, the State shall have no obligation under this Agreement to update or continue to provide further additional information, data or notices of the type so provided.

(b) This Agreement shall be governed by the laws of the State of Connecticut.

(c) Notwithstanding any other provision of this Agreement, the State may amend this Agreement, and any provision of this Agreement may be waived, if (i) such amendment or waiver is made in connection with a change of circumstances that arises from a change in legal requirements, a change in law, or a change in the identity, nature or status of the State, (ii) the Agreement as so amended or waived would have complied with the requirements of the Rule as of the date of the Agreement, taking into account any amendments or interpretations of the Rule as well as any changes in circumstances, and (iii) such amendment or waiver is supported by either an opinion of counsel expert in federal securities laws to the effect that such amendment or waiver would not materially adversely affect the beneficial owners of the Bonds or an approving vote by the holders of not less than a majority of the aggregate principal amount of the Bonds then outstanding pursuant to the terms of the Indenture. A copy of any such amendment or waiver will be filed in a timely manner with (i) each NRMSIR or the MSRB and (ii) any SID. The annual financial information provided on the first date following adoption of any such amendment or waiver will explain, in narrative form, the reasons for the amendment or waiver.

(d) This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but such counterparts shall together constitute but one and the same instrument.

STATE OF CONNECTICUT

By: \_\_\_\_\_  
Hon. Denise L. Nappier  
Treasurer of the State of Connecticut

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Authorized Officer



## APPENDIX E

### Proposed Form of Opinion of Bond Counsel

July \_\_, 2004

To: Honorable Denise L. Nappier  
Treasurer, State of Connecticut  
Hartford, Connecticut

We have examined the transcript of proceedings (the "Transcript") relating to the issuance by the State of Connecticut (the "State") of \$30,640,000 aggregate principal amount of State of Connecticut Bradley International Airport General Airport Revenue Refunding Bonds, Series 2004 (the "Bonds"). The Bonds are authorized to be issued under and pursuant to the Constitution and laws of the State, particularly Chapter 266a et seq., as amended, of the General Statutes of Connecticut (the "Act"), by a resolution adopted by the State Bond Commission (the "Commission") on January 26, 2001 (the "Resolution") and the Trust Indenture, dated as of March 1, 2001, as heretofore supplemented and as further supplemented by the Second Supplemental Trust Indenture, dated as of May 1, 2004 (collectively, the "Indenture"), between the State and U.S. Bank National Association (as successor to State Street Bank and Trust Company), as Trustee. The proceeds of the Bonds are to be used to currently refund all of the State's outstanding Airport Revenue Refunding Bonds, Bradley International Airport, Series 1992. The Transcript documents include a certified copy of the Resolution and executed counterparts of the Indenture. We also have examined a conformed copy of a Bond.

Based on such examination, we are of the opinion that, under the law existing on the date of this opinion:

(1) The Bonds have been duly authorized, executed and issued in accordance with the Constitution and statutes of the State, particularly the Act, and constitute valid and legally binding special obligations of the State, for the payment of which the State has validly pledged the Pledged Revenues, as defined in the Indenture, and the other revenues or receipts, funds or moneys pledged therefor under the Indenture for payment of the principal of and interest and any premium on the Bonds. The Bonds shall not be payable from nor charged upon any funds other than the Pledged Revenues or the other receipts, funds or moneys pledged therefor pursuant to the Indenture. Payment of the principal of and interest and any premium on the Bonds is subject to bankruptcy laws and other laws affecting creditors' rights and the exercise of judicial discretion.

(2) The Bonds are secured by a pledge in the manner and to the extent set forth in the Indenture. The Indenture creates the valid pledge of and the valid lien upon the Pledged Revenues, subject only to the provisions of the Indenture permitting the application thereof for or to the purposes and on the terms and conditions set forth in the Indenture, including to secure the

State's outstanding Series 2001 Bonds and any Additional Bonds (each as defined in the Indenture). In accordance with the Act, such lien is valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the State, irrespective of whether such parties have notice thereof.

(3) The Indenture is legal, valid, binding and enforceable in accordance with its terms, except that the binding effect and enforceability thereof are subject to bankruptcy laws and other laws affecting creditors' rights and to the exercise of judicial discretion.

(4) Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), except for interest on any Bond for any period during which it is held by a "substantial user" or a "related person," as those terms are used in Section 147(a) of the Code. Interest on the Bonds is excluded from the Connecticut income tax on individuals, trusts and estates and from amounts on which the net Connecticut minimum tax is based in the case of individuals, trusts and estates required to pay the federal alternative minimum tax. Interest on the Bonds is included in gross income for purposes of the Connecticut corporation business tax. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations. We express no opinion as to any other tax consequences regarding the Bonds.

A portion of the interest on the Bonds earned by certain corporations may be subject to a federal corporate alternative minimum tax. In addition, interest on the Bonds may be subject to a federal branch profits tax imposed on certain foreign corporations doing business in the United States and to a federal tax imposed on excess net passive income of certain S corporations.

In giving the foregoing opinion with respect to the treatment of the interest on the Bonds and the status of the Bonds under federal tax laws, we have assumed and relied upon continuing compliance with the State's covenants and the accuracy, which we have not independently verified, of the State's representations and certifications, all as contained in the Transcript. The accuracy of those representations and certifications, and continuing compliance by the State with those covenants, may be necessary for the interest to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of those covenants subsequent to issuance may cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

We have assumed for purposes of this opinion the due authorization, execution and delivery by and the binding effect upon and enforceability against the Trustee of the Indenture.

We express no opinion as to the Statement of Insurance printed on the Bonds referring to the Bond Insurance Policy (as defined in the Indenture) issued by Financial Guaranty Insurance Company or as to the Bond Insurance Policy referred to in that Statement.

Respectfully submitted,

[to be signed by "Squire, Sanders & Dempsey L.L.P."]



**Financial Guaranty Insurance Company**  
 125 Park Avenue  
 New York, NY 10017  
 T 212-312-3000  
 T 800-352-0001

## Municipal Bond New Issue Insurance Policy

<b>Issuer:</b>	<b>Policy Number:</b>
	<b>Control Number:</b> 0010001
<b>Bonds:</b>	<b>Premium:</b>

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay to U.S. Bank Trust National Association or its successor, as its agent (the "Fiscal Agent"), for the benefit of Bondholders, that portion of the principal and interest on the above-described debt obligations (the "Bonds") which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payments to the Fiscal Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. The Fiscal Agent will disburse to the Bondholder the face amount of principal and interest which is then Due for Payment but is unpaid by reason of Nonpayment by the Issuer but only upon receipt by the Fiscal Agent, in form reasonably satisfactory to it, of (i) evidence of the Bondholder's right to receive payment of the principal or interest Due for Payment and (ii) evidence, including any appropriate instruments of assignment, that all of the Bondholder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Financial Guaranty. Upon such disbursement, Financial Guaranty shall become the owner of the Bond, appurtenant coupon or right to payment of principal or interest on such Bond and shall be fully subrogated to all of the Bondholder's rights thereunder, including the Bondholder's right to payment thereof.

This Policy is non-cancellable for any reason. The premium on this Policy is not refundable for any reason, including the payment of the Bonds prior to their maturity. This Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bond.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the paying agent for payment in full of all



**Financial Guaranty Insurance Company**  
 125 Park Avenue  
 New York, NY 10017  
 T 212-312-3000  
 T 800-352-0001

**Municipal Bond  
 New Issue Insurance Policy**

---

principal and interest Due for Payment on such Bond. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from a Bondholder or a paying agent for the Bonds to Financial Guaranty. "Business Day" means any day other than a Saturday, Sunday or a day on which the Fiscal Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

*Frank Brown*

SPECIMEN

**President**

**Effective Date:**

**Authorized Representative**

U.S. Bank Trust National Association, acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

**Authorized Officer**



**Financial Guaranty Insurance Company**  
 125 Park Avenue  
 New York, NY 10017  
 T 212-312-3000  
 T 800-352-0001

**Endorsement**  
**To Financial Guaranty Insurance Company**  
**Insurance Policy**

**Policy Number:**

**Control Number:** 0010001

It is further understood that the term "Nonpayment" in respect of a Bond includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

**Authorized Officer**

**U.S. Bank Trust National Association, as Fiscal Agent**



**Financial Guaranty Insurance Company**  
 125 Park Avenue  
 New York, NY 10017  
 T 212-312-3000  
 T 800-352-0001

**Mandatory Connecticut State  
 Amendatory Endorsement  
 To Financial Guaranty Insurance Company  
 Insurance Policy**

---

**Policy Number:** \_\_\_\_\_ **Control Number:** 0010001

---

The insurance provided by this Policy is not covered by the Connecticut Insurance Guaranty Association (Connecticut Insurance Code, Title 38a, Chapter 704a, Part 1).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

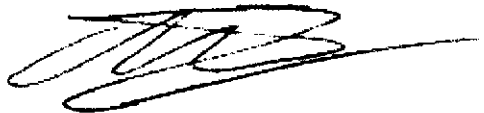


**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**



**Authorized Officer**  
**U.S. Bank Trust National Association, as Fiscal Agent**



**Financial Guaranty Insurance Company**  
 125 Park Avenue  
 New York, NY 10017  
 T 212-312-3000  
 T 800-352-0001

**Mandatory Connecticut State  
 Amendatory Endorsement  
 To Financial Guaranty Insurance Company  
 Insurance Policy**

---

**Policy Number:** \_\_\_\_\_ **Control Number:** 0010001

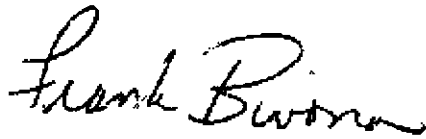
---

SPECIMEN

Notwithstanding the terms and conditions of this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.



**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**



**Authorized Officer**  
**U.S. Bank Trust National Association, as Fiscal Agent**





**Financial Guaranty Insurance Company**  
 125 Park Avenue  
 New York, NY 10017  
 T 212-312-3000  
 T 800-352-0001

## Municipal Bond Debt Service Reserve Fund Policy

<b>Issuer:</b>	<b>Policy Number:</b>
<b>Bonds:</b>	<b>Control Number:</b> 0010001
<b>Paying Agent:</b>	<b>Premium:</b>
	<b>Maximum Amount:</b>

SPECIMEN

Financial Guaranty Insurance Company ("Financial Guaranty"), a New York stock insurance company, in consideration of the payment of the premium and subject to the terms of this Policy, hereby unconditionally and irrevocably agrees to pay the paying agent named above or its successor, as paying agent for the Bonds (the "Paying Agent"), for the benefit of Bondholders, that portion (not to exceed the Maximum Amount set forth above) of the amount required to pay principal and interest (but not any prepayment premium) on the Bonds which shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

Financial Guaranty will make such payment to the Paying Agent on the date such principal or interest becomes Due for Payment or on the Business Day next following the day on which Financial Guaranty shall have received Notice of Nonpayment, whichever is later. Upon such disbursement, Financial Guaranty shall become entitled to reimbursement therefor (together with interest thereon) all as provided in the Debt Service Reserve Fund Policy Agreement between the Issuer and Financial Guaranty dated as of the Effective Date of this Policy. The Maximum Amount shall be automatically reinstated when and to the extent that the Issuer repays amounts disbursed hereunder, but shall not be reinstated to the extent of amounts received by Financial Guaranty constituting interest on amounts disbursed to the Paying Agent pursuant to this Policy. Financial Guaranty shall provide Notice to the Paying Agent of any reinstatement of any portion of the Maximum Amount within one Business Day of such reinstatement.

This Policy is non-cancellable for any reason, including the failure of the Issuer to reimburse Financial Guaranty for any payment made hereunder.

As used herein, the term "Bondholder" means, as to a particular Bond, the person other than the Issuer who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof. "Due for Payment" means, when referring to the principal of a Bond, the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity and means, when referring to interest on a Bond, the stated date for payment of interest. "Nonpayment" in respect of a Bond means the failure of the Issuer to have provided sufficient funds to the Paying Agent for payment in full of all



**Financial Guaranty Insurance Company**  
 125 Park Avenue  
 New York, NY 10017  
 T 212-312-3000  
 T 800-352-0001

## **Municipal Bond Debt Service Reserve Fund Policy**

---

principal and interest Due for Payment on such Bond and includes any payment of principal or interest made to a Bondholder by or on behalf of the issuer of such Bond which has been recovered from such Bondholder pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telegraphic notice, subsequently confirmed in writing, or written notice by registered or certified mail, from the Paying Agent for the Bonds to Financial Guaranty or from Financial Guaranty to the Paying Agent, as the case may be. "Business Day" means any day other than a Saturday, Sunday or a day on which the Paying Agent is authorized by law to remain closed.

In Witness Whereof, Financial Guaranty has caused this Policy to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

*Frank Biron*

**President**

**Effective Date:**

**Authorized Representative**

U.S. Bank Trust National Association acknowledges that it has agreed to perform the duties of Fiscal Agent under this Policy.

**Authorized Officer**



**Financial Guaranty Insurance Company**  
 125 Park Avenue  
 New York, NY 10017  
 T 212-312-3000  
 T 800-352-0001

**Mandatory Connecticut State  
 Amendatory Endorsement  
 To Financial Guaranty Insurance Company  
 Insurance Policy**

---

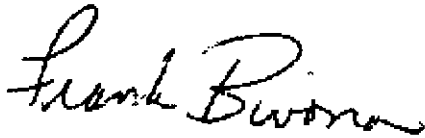
**Policy Number:** \_\_\_\_\_ **Control Number:** 0010001

---

The insurance provided by this Policy is not covered by the Connecticut Insurance Guaranty Association (Connecticut Insurance Code, Title 38a, Chapter 704, Part 1).

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.



**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**



**Authorized Officer**  
**U.S. Bank Trust National Association, as Fiscal Agent**



**Financial Guaranty Insurance Company**  
 125 Park Avenue  
 New York, NY 10017  
 T 212-312-3000  
 T 800-352-0001

**Mandatory Connecticut State  
 Amendatory Endorsement  
 To Financial Guaranty Insurance Company  
 Insurance Policy**

---

**Policy Number:** \_\_\_\_\_ **Control Number:** 0010001

---

SPECIMEN

Notwithstanding the terms and conditions of this Policy, it is further understood that there shall be no acceleration of payment due under such Policy unless such acceleration is at the sole option of Financial Guaranty.

NOTHING HEREIN SHALL BE CONSTRUED TO WAIVE, ALTER, REDUCE OR AMEND COVERAGE IN ANY OTHER SECTION OF THE POLICY. IF FOUND CONTRARY TO THE POLICY LANGUAGE, THE TERMS OF THIS ENDORSEMENT SUPERSEDE THE POLICY LANGUAGE.

In Witness Whereof, Financial Guaranty has caused this Endorsement to be affixed with its corporate seal and to be signed by its duly authorized officer in facsimile to become effective and binding upon Financial Guaranty by virtue of the countersignature of its duly authorized representative.

**President**

**Effective Date:**

**Authorized Representative**

**Acknowledged as of the Effective Date written above:**

**Authorized Officer**  
**U.S. Bank Trust National Association, as Fiscal Agent**

[THIS PAGE INTENTIONALLY LEFT BLANK]



