

In the opinion of Kutak Rock LLP, Bond Counsel to the Commission, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, interest on the Senior Series 2016C Bonds and the Subordinate Series 2016D Bonds (collectively, the "Series 2016C/D Bonds") is excluded from gross income for federal income tax purposes, except for interest on any Subordinate Series 2016D Bond for any period during which such Subordinate Series 2016D Bond is held by a "substantial user" of the facilities financed or refinanced by the Subordinate Series 2016D Bonds, or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended. Bond Counsel is further of the opinion that (a) interest on the Senior Series 2016C Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax, except that interest on the Senior Series 2016C Bonds will be included in a corporate taxpayer's adjusted current earnings for purposes of computing its federal alternative minimum tax, and (b) interest on the Subordinate Series 2016D Bonds is a specific item of tax preference for purposes of the federal alternative minimum tax. Bond Counsel is further of the opinion that (a) interest on the Series 2016C/D Bonds is not includible in taxable net income of individuals, estates and trusts for State of Minnesota income tax purposes, but is includible in the calculation of taxable income of corporations and financial institutions for State of Minnesota franchise tax purposes, (b) interest on the Senior Series 2016C Bonds is not a specific tax preference item for purposes of the State of Minnesota alternative minimum tax applicable to individuals, estates and trusts, and (c) interest on the Subordinate Series 2016D Bonds is a specific tax preference item for purposes of the State of Minnesota alternative minimum tax applicable to individuals, estates and trusts. Interest on the Subordinate Series 2016E Bonds is included in gross income for federal income tax purposes, and is includible in taxable net income of individuals, estates and trusts for State of Minnesota income tax purposes, and in taxable income of corporations and financial institutions for State of Minnesota franchise tax purposes. See "TAX MATTERS" herein.

\$402,350,000

**MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION
Airport Revenue Bonds**



\$207,250,000
**Senior Airport
Revenue Bonds
Series 2016C
(Non-AMT)**

\$23,410,000
**Subordinate Airport
Revenue Bonds
Series 2016D
(AMT)**

\$171,690,000
**Subordinate Airport
Revenue Bonds
Series 2016E
(Taxable)**

Dated: Date of Delivery

Due: January 1, as shown on the inside cover

The Metropolitan Airports Commission (the "Commission") is issuing its Minneapolis-St. Paul Metropolitan Airports Commission Senior Airport Revenue Bonds, Series 2016C (the "Senior Series 2016C Bonds"), its Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2016D (the "Subordinate Series 2016D Bonds"), and its Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2016E (the "Subordinate Series 2016E Bonds," and collectively with the Senior Series 2016C Bonds and the Subordinate Series 2016D Bonds, the "Series 2016C/D/E Bonds") to (a) finance certain capital improvements at Minneapolis-St. Paul International Airport (the "Airport"), (b) repay a portion of the outstanding Subordinate Short-Term Obligations, the proceeds of which were previously used to finance capital improvements at the Airport, (c) make a deposit to the Subordinate Reserve Fund, (d) fund capitalized interest on the Senior Series 2016C Bonds, and (e) pay the costs of issuance of the Series 2016C/D/E Bonds, as described herein. See "PLAN OF FINANCE" herein.

The Senior Series 2016C Bonds are limited obligations of the Commission payable solely from and secured by a pledge of (a) Net Revenues, which include certain income and revenue received by the Commission from the operation of the Airport System less all amounts which are required to be used to pay the Maintenance and Operation Expenses of the Airport System, (b) certain funds and accounts held by the Senior Trustee under the Senior Indenture, and (c) other amounts payable under the Senior Indenture. The Senior Series 2016C Bonds will be issued with a pledge of and lien on Net Revenues on parity with the Commission's Prior Senior Bonds, which, as of November 1, 2016, were outstanding in the aggregate principal amount of \$533,955,000.

The Subordinate Series 2016D Bonds and the Subordinate Series 2016E Bonds (collectively, the "Subordinate Series 2016D/E Bonds") are limited obligations of the Commission payable solely from and secured by a pledge of (a) Subordinate Revenues, which include certain income and revenue received by the Commission from the operation of the Airport System less all amounts which are required to be used to pay the Maintenance and Operation Expenses of the Airport System, and less all amounts necessary to pay debt service and reserve and replenishment requirements on and relating to the Senior Parity Bonds, (b) certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture, and (c) other amounts payable under the Subordinate Indenture. The Subordinate Series 2016D/E Bonds will be issued with a pledge of and lien on Subordinate Revenues on parity with the Commission's Prior Subordinate Bonds, which, as of November 1, 2016, were outstanding in the aggregate principal amount of \$563,335,000, and the Commission's Subordinate Short-Term Obligations, which are authorized to be outstanding in the aggregate principal amount of \$75,000,000 at any one time.

THE SERIES 2016C/D/E BONDS ARE NOT GENERAL OBLIGATIONS OF THE COMMISSION. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMISSION, THE CITY OF MINNEAPOLIS, THE CITY OF ST. PAUL, THE STATE OF MINNESOTA OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY OF THE STATE IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE SERIES 2016C/D/E BONDS. NONE OF THE PROPERTIES OF THE AIRPORT SYSTEM ARE SUBJECT TO ANY MORTGAGE OR OTHER LIEN FOR THE BENEFIT OF THE OWNERS OF THE SERIES 2016C/D/E BONDS.

The Series 2016C/D/E Bonds will be issued as fully registered bonds in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the Series 2016C/D/E Bonds will be made in book-entry form only in denominations of \$5,000 and integral multiples thereof. Interest on the Series 2016C/D/E Bonds will be payable on January 1 and July 1, commencing on July 1, 2017. So long as the Series 2016C/D/E Bonds are held by DTC, the principal of and interest on the Series 2016C/D/E Bonds will be payable by wire transfer to DTC, which in turn will be required to remit such principal and interest to the DTC participants for subsequent disbursement to the Beneficial Owners of the Series 2016C/D/E Bonds, as more fully described herein.

The Series 2016C/D/E Bonds are subject to optional and mandatory sinking fund redemption prior to maturity, as more fully described herein. See "DESCRIPTION OF THE SERIES 2016C/D/E BONDS—Redemption of Series 2016C/D/E Bonds" herein.

The purchase and ownership of the Series 2016C/D/E Bonds involve investment risk and may not be suitable for all investors. This cover page is not intended to be a summary of the terms of, or the security for, the Series 2016C/D/E Bonds. Investors are advised to read this Official Statement in its entirety to obtain information essential to the making of an informed investment decision, giving particular attention to the matters discussed under "CERTAIN INVESTMENT CONSIDERATIONS" herein. Capitalized terms used on this cover page and not otherwise defined have the meanings set forth herein.

The Series 2016C/D/E Bonds are offered, when, as and if issued by the Commission, subject to the approval of validity by Kutak Rock LLP, Bond Counsel to the Commission, and to certain other conditions. Certain matters will be passed upon for the Commission by Thomas W. Anderson, Esq., General Counsel to the Commission, and certain legal matters will be passed upon for the Commission by Kutak Rock LLP, as Disclosure Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by their counsel, Barnes & Thornburg LLP and McGrann Shea Carnival Straughn & Lamb, Chartered. Jefferies LLC has served as Financial Advisor to the Commission. It is expected that the Series 2016C/D/E Bonds in book-entry form will be available for delivery through the facilities of DTC on or about December 20, 2016.

Senior Series 2016C Bonds and Subordinate Series 2016D Bonds

RBC Capital Markets

US Bancorp

Barclays

Citigroup

Piper Jaffray & Co.

Wells Fargo Securities

Subordinate Series 2016E Bonds

Wells Fargo Securities

Citigroup

Barclays

Piper Jaffray & Co.

RBC Capital Markets

US Bancorp

MATURITY SCHEDULE

\$207,250,000
Minneapolis-St. Paul Metropolitan Airports Commission
Senior Airport Revenue Bonds
Series 2016C
(Non-AMT)

Maturity Date (January 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Numbers¹
2019	\$3,650,000	4.000%	1.530%	104.919%	603827YE0
2020	3,795,000	4.000	1.790	106.490	603827YF7
2021	3,945,000	4.000	2.000	107.707	603827YG5
2022	4,105,000	5.000	2.120	113.672	603827YH3
2023	4,310,000	5.000	2.280	115.243	603827YJ9
2024	4,525,000	5.000	2.480	116.165	603827YK6
2025	4,750,000	5.000	2.650	116.897	603827YL4
2026	4,990,000	5.000	2.780	117.620	603827YM2
2027	5,235,000	5.000	2.900	118.162	603827YN0
2028	5,500,000	5.000	2.970	117.496 ^C	603827YP5
2029	5,775,000	5.000	3.060	116.646 ^C	603827YQ3
2030	6,065,000	5.000	3.170	115.617 ^C	603827YR1
2031	6,365,000	5.000	3.240	114.968 ^C	603827YS9
2032	6,685,000	5.000	3.330	114.140 ^C	603827YT7
2033	7,020,000	5.000	3.430	113.228 ^C	603827YU4
2034	7,370,000	5.000	3.500	112.595 ^C	603827YV2
2035	7,740,000	5.000	3.570	111.966 ^C	603827YW0
2036	8,125,000	5.000	3.620	111.520 ^C	603827YX8
2037	8,530,000	5.000	3.670	111.075 ^C	603827YY6

\$38,605,000 5.000% Senior Series 2016C Term Bonds due January 1, 2041;
Yield: 3.720%; Price: 110.633%^C; CUSIP Number¹: 603827YZ3

\$60,165,000 5.000% Senior Series 2016C Term Bonds due January 1, 2046;
Yield: 3.770%; Price: 110.192%^C; CUSIP Number¹: 603827ZA7

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^C Priced to the par call date of January 1, 2027.

\$23,410,000
Minneapolis-St. Paul Metropolitan Airports Commission
Subordinate Airport Revenue Bonds
Series 2016D
(AMT)

Maturity Date (January 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP Numbers¹
2018	\$500,000	4.000%	1.520%	102.525%	603827ZB5
2019	555,000	5.000%	1.890	106.166	603827ZC3
2020	580,000	5.000	2.240	108.042	603827ZD1
2021	610,000	5.000	2.520	109.447	603827ZE9
2022	640,000	5.000	2.700	110.750	603827ZF6
2023	670,000	5.000	2.860	111.775	603827ZG4
2024	705,000	5.000	3.060	112.187	603827ZH2
2025	740,000	5.000	3.250	112.280	603827ZJ8
2026	780,000	5.000	3.410	112.267	603827ZK5
2027	815,000	5.000	3.520	112.415	603827ZL3
2028	860,000	5.000	3.640	111.341 ^C	603827ZM1
2029	900,000	5.000	3.730	110.544 ^C	603827ZN9
2030	945,000	5.000	3.840	109.580 ^C	603827ZP4
2031	995,000	5.000	3.910	108.971 ^C	603827ZQ2
2032	1,045,000	5.000	3.980	108.366 ^C	603827ZR0
2033	1,095,000	5.000	4.050	107.766 ^C	603827ZS8
2034	1,150,000	5.000	4.110	107.254 ^C	603827ZT6
2035	1,205,000	5.000	4.160	106.830 ^C	603827ZU3
2036	1,270,000	5.000	4.200	106.492 ^C	603827ZV1
2037	1,330,000	5.000	4.240	106.155 ^C	603827ZW9

\$6,020,000 5.000% Subordinate Series 2016D Term Bonds due January 1, 2041;
Yield: 4.290%; Price: 105.736%^C; CUSIP Number¹: 603827ZX7

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^C Priced to the par call date of January 1, 2027.

\$171,690,000
Minneapolis-St. Paul Metropolitan Airports Commission
Subordinate Airport Revenue Bonds
Series 2016E
(Taxable)

Maturity Date (January 1)	Principal Amount	Interest Rate	Price	CUSIP Numbers¹
2019	\$ 8,595,000	1.720%	100%	603827XN1
2020	8,740,000	2.050	100	603827XP6
2021	8,920,000	2.392	100	603827XQ4
2022	9,135,000	2.542	100	603827XR2
2023	9,365,000	2.893	100	603827XS0
2024	9,640,000	3.093	100	603827XT8
2025	9,935,000	3.296	100	603827XU5
2026	10,265,000	3.396	100	603827XV3
2027	10,610,000	3.546	100	603827XW1
2028	10,990,000	3.746	100	603827XX9
2029	11,400,000	3.796	100	603827XY7
2030	11,835,000	3.896	100	603827XZ4
2031	12,295,000	3.996	100	603827YA8
2032	12,785,000	4.096	100	603827YB6
2033	13,310,000	4.196	100	603827YC4
2034	13,870,000	4.246	100	603827YD2

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METROPOLITAN AIRPORTS COMMISSION

Daniel Boivin
Chair

Steve Cramer

Rick King

Carl Crimmins

Michael Madigan

James Deal

Ibrahim Mohamed

Patti Gartland

Donald Monaco

James Hamilton

Lisa Peilen

Pat Harris

Erica Prosser

Dixie Hoard

Randy Schubring

MANAGEMENT OF THE COMMISSION

Executive Director/Chief Executive Officer
Executive Vice President/Chief Operating Officer
Vice President, Finance and Administration
Vice President, Management and Operations
Vice President, Planning, Development and Environment
Vice President, Chief Information Officer
General Counsel
Director of Finance

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BKD, LLP

AIRPORT CONSULTANT

LeighFisher

No dealer, broker, salesperson or other person has been authorized by the Commission to give any information or to make any representations other than as set forth herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the Commission. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series 2016C/D/E Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Series 2016C/D/E Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of facts. See “INTRODUCTION—Forward-Looking Statements” herein.

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

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the Commission since the date hereof. This Official Statement is submitted in connection with the sale of the Series 2016C/D/E Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE SERIES 2016C/D/E BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. NEITHER THE SENIOR INDENTURE NOR THE SUBORDINATE INDENTURE HAVE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED THEREIN. THE SERIES 2016C/D/E BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2016C/D/E BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING TRANSACTIONS, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITERS MAY OFFER AND SELL THE SERIES 2016C/D/E BONDS TO CERTAIN DEALERS AND OTHERS AT YIELDS HIGHER OR PRICES LOWER THAN THE PUBLIC OFFERING YIELDS AND/OR PRICES STATED ON THE INSIDE COVER PAGES OF THIS OFFICIAL STATEMENT, AND SUCH PUBLIC OFFERING YIELDS AND/OR PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITERS.

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OFFICIAL STATEMENT

\$402,350,000

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION Airport Revenue Bonds

\$207,250,000	\$23,410,000	\$171,690,000
Senior Airport Revenue Bonds Series 2016C (Non-AMT)	Subordinate Airport Revenue Bonds Series 2016D (AMT)	Subordinate Airport Revenue Bonds Series 2016E (Taxable)

INTRODUCTION

General

The purpose of this Official Statement, which includes the cover page, the inside cover pages, the table of contents and the appendices, is to provide certain information concerning the sale and delivery by the Metropolitan Airports Commission (the "Commission") of its (a) \$207,250,000 Minneapolis-St. Paul Metropolitan Airports Commission Senior Airport Revenue Bonds, Series 2016C (the "Senior Series 2016C Bonds"), (b) \$23,410,000 Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2016D (the "Subordinate Series 2016D Bonds"), and (c) \$171,690,000 Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2016E (the "Subordinate Series 2016E Bonds," and collectively with the Senior Series 2016C Bonds and the Subordinate Series 2016D Bonds, the "Series 2016C/D/E Bonds"). The Subordinate Series 2016D Bonds and the Subordinate Series 2016E Bonds, are collectively referred to in this Official Statement as the "Subordinate Series 2016D/E Bonds"; and the Senior Series 2016C Bonds and the Subordinate Series 2016D Bonds, are collectively referred to in this Official Statement as the "Series 2016C/D Bonds."

This Introduction is qualified in its entirety by reference to the more detailed information included and referred to elsewhere in this Official Statement. The offering of the Series 2016C/D/E Bonds to potential investors is made only by means of the entire Official Statement. **Capitalized terms used in this Official Statement have the respective meanings given such terms in Appendix C-1 hereto.**

The Commission

The Commission was created by an act of the Minnesota State Legislature in 1943 as a public corporation. Its purpose is to promote air navigation and transportation (international, national and local) in and through the State of Minnesota (the "State"), promote the efficient, safe and economic handling of air commerce, assure the inclusion of the State in national and international programs of air transportation, and to those ends develop the full potentialities of the Metropolitan Area (as defined below) as an aviation center. The Commission exercises its jurisdiction over any place within 35 miles of the city hall of the City of Minneapolis or the city hall of the City of St. Paul, and over the Minneapolis-St. Paul Metropolitan Area (the "Metropolitan Area"), which includes the counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington. See "THE COMMISSION."

Minneapolis-St. Paul International Airport and the Airport System

The Commission owns and operates seven airports in the Metropolitan Area, including Minneapolis-St. Paul International Airport (the “Airport” or “MSP”), which serves as the primary Air Carrier (as defined below) facility, and six reliever airports which serve general aviation, including St. Paul Downtown Airport, Flying Cloud Airport, Crystal Airport, Anoka County/Blaine Airport, Lake Elmo Airport and Airlake Airport (collectively, the “Reliever Airports”). For purposes of this Official Statement, “Air Carrier” will mean all major or national commercial airlines, regional or commuter airlines and cargo carriers.

The Airport maintains four air-transport type runways, including two parallel northwest-southeast runways, one north-south runway and one northeast-southwest cross-wind runway. Passenger terminal facilities at the Airport are located in two separate buildings: Terminal 1-Lindbergh Terminal Building (the “Terminal 1-Lindbergh”) and Terminal 2-Hubert H. Humphrey Terminal (the “Terminal 2-Humphrey”). According to United States Department of Transportation statistics, in calendar year 2015, the Airport was ranked as the 16th busiest airport in the country as measured by total number of enplaned passengers. The Airport is classified by the Federal Aviation Administration (the “FAA”) as a large hub airport (an airport that enplanes 1.0% or more of the total number of passenger boardings at all commercial service airports in the United States). See “THE COMMISSION—The Airport System,” and “MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT.”

Delta Air Lines

The Airport serves as a primary hub in the route system of Delta Air Lines, Inc. (“Delta”). Delta, together with its affiliated Air Carriers (including, among others, Endeavor Air (“Endeavor”) and Compass Airlines (“Compass”)), accounted for approximately 73% of all passengers enplaned at the Airport in 2015. See “AGREEMENTS WITH AIRLINES AND OTHER CONCESSIONAIRES—Airline Lease Agreements,” “AIRLINE AND AIRLINE INDUSTRY INFORMATION—Delta” and “CERTAIN INVESTMENT CONSIDERATIONS—Dominance of Delta at the Airport.”

Authority for Issuance

The Senior Series 2016C Bonds are being issued pursuant to the Master Trust Indenture, dated as of June 1, 1998, as amended (the “Master Senior Indenture”), by and between the Commission and Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, National Association), as trustee (the “Senior Trustee”), and the Tenth Supplemental Trust Indenture, to be dated as of December 1, 2016 (the “Tenth Supplemental Senior Indenture,” and together with the Master Senior Indenture, and all supplements thereto, the “Senior Indenture”), by and between the Commission and the Senior Trustee.

The Subordinate Series 2016D/E Bonds are being issued pursuant to the Master Subordinate Trust Indenture, dated as of October 1, 2000, as amended (the “Master Subordinate Indenture”), by and between the Commission and Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association), as trustee (the “Subordinate Trustee”), and the Sixteenth Supplemental Subordinate Trust Indenture, to be dated as of December 1, 2016 (the “Sixteenth Supplemental Subordinate Indenture,” and collectively with the Master Subordinate Indenture and all supplements thereto, the “Subordinate Indenture”), by and between the Commission and the Subordinate Trustee.

The Series 2016C/D/E Bonds have been authorized by Resolution No. 2260 adopted by the Commission on November 21, 2016. The Series 2016C/D/E Bonds are being issued under and in accordance with Minnesota Statutes, Sections 473.601, et seq. (the “Act”).

Purpose of the Series 2016C/D/E Bonds

Proceeds from the sale of the Senior Series 2016C Bonds, will be used to (a) finance certain capital improvements at the Airport, (b) fund capitalized interest on the Senior Series 2016C Bonds through July 1, 2018, and (c) pay the costs of issuance of the Senior Series 2016C Bonds.

Proceeds from the sale of the Subordinate Series 2016D/E Bonds, will be used to (a) finance certain capital improvements at the Airport, (b) repay a portion of the outstanding Subordinate Short-Term Obligations (as defined below), (c) make a deposit to the Subordinate Reserve Fund (as defined herein), and (d) pay the costs of issuance of the Subordinate Series 2016D/E Bonds.

See “PLAN OF FINANCE” and “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT” for additional information about the use of the proceeds of the Series 2016C/D/E Bonds.

Security for the Senior Series 2016C Bonds

The Senior Series 2016C Bonds will be secured by a pledge of and lien on Net Revenues (as defined herein) on a parity with the outstanding Prior Senior Bonds (as defined below under “—Outstanding Senior Parity Bonds”), any additional bonds issued on a parity with the Senior Series 2016C Bonds under the terms and provisions of the Master Senior Indenture (the “Additional Senior Bonds”), any general obligation revenue bonds issued pursuant to Section 473.667 of the Act that are issued on a parity with respect to Net Revenues (the “General Obligation Revenue Bonds”), and any other obligations issued on a parity with respect to Net Revenues pursuant to the terms of laws enacted by the Minnesota State Legislature and the Master Senior Indenture. For purposes of this Official Statement, “Senior Bonds” means the Senior Series 2016C Bonds, the Prior Senior Bonds and any Additional Senior Bonds. The Senior Bonds, any General Obligation Revenue Bonds issued on a parity with respect to Net Revenues, and any other obligations issued on a parity with respect to Net Revenues pursuant to the terms of laws enacted by the Minnesota State Legislature and the Master Senior Indenture are hereinafter collectively referred to as the “Senior Parity Bonds.” As of the date of this Official Statement, the only Senior Parity Bonds the Commission has outstanding are the Prior Senior Bonds. “Net Revenues” include certain income and revenue received by the Commission from the operation of the Airport System less all amounts which are required to be used to pay the Maintenance and Operation Expenses of the Airport System. Net Revenues are available for the equal and proportionate benefit of all Senior Parity Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Flow of Funds,” “—Senior Bonds—Pledge of Net Revenues,” and “—Use of PFCs to Pay Debt Service” and “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Prior Senior Bonds.”

The Senior Series 2016C Bonds are limited obligations of the Commission payable solely from and secured by a pledge of (a) Net Revenues, (b) certain funds and accounts held by the Senior Trustee under the Senior Indenture, and (c) other amounts payable under the Senior Indenture. The Senior Series 2016C Bonds are not general obligations of the Commission. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of St. Paul, the State or any political subdivision or public agency of the State is pledged to the payment of the principal of and interest on the Senior Series 2016C Bonds. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Senior Series 2016C Bonds.

Outstanding Senior Parity Bonds

Pursuant to the Master Senior Indenture and various Supplemental Senior Indentures, the Commission has previously issued, and as of November 1, 2016, there was \$533,955,000 aggregate principal amount outstanding of its Senior Airport Revenue Refunding Bonds, Series 2009A (the “Senior Series 2009A Bonds”), Senior Airport Revenue Refunding Bonds, Series 2009B (the “Senior Series 2009B Bonds”), Senior Airport Revenue Bonds, Series 2010A (the “Senior Series 2010A Bonds”), Senior Airport Revenue Bonds, Series 2010B (the “Senior Series 2010B Bonds”), and Senior Airport Revenue Refunding Bonds, Series 2016A (the “Senior Series 2016A Bonds,” and collectively with the Senior Series 2009A Bonds, the Senior Series 2009B Bonds, the Senior Series 2010A Bonds and the Senior Series 2010B Bonds, the “Prior Senior Bonds”).

As described in more detail under the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—General Obligation Revenue Bonds,” pursuant to Section 473.667 of the Act, the Commission is authorized to issue up to \$55,051,875 of General Obligation Revenue Bonds without additional statutory authorization and without having to meet the requirements of the additional bonds test set forth in the Master Senior Indenture. As of the date of this Official Statement, the Commission has no General Obligation Revenue Bonds outstanding.

Security for the Subordinate Series 2016D/E Bonds

The Subordinate Series 2016D/E Bonds will be secured by a pledge of and lien on Subordinate Revenues (which includes Net Revenues less all amounts required to pay debt service and reserve and replenishment requirements on and relating to the Senior Parity Bonds) on parity with the outstanding Prior Subordinate Bonds (as defined herein), any Subordinate Short-Term Obligations (as defined herein) issued and/or incurred by the Commission, and any additional obligations issued or incurred on parity with the Subordinate Series 2016D/E Bonds under the terms and provisions of the Master Subordinate Indenture (the “Additional Subordinate Obligations”). The Subordinate Series 2016D/E Bonds, the Prior Subordinate Bonds, the Subordinate Short-Term Obligations and any Additional Subordinate Obligations are collectively referred to in this Official Statement as “Subordinate Obligations.” Subordinate Revenues are available for the equal and proportionate benefit of all Subordinate Obligations, except for the timing of payment of such Subordinate Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Flow of Funds,” “—Subordinate Obligations—Pledge of Subordinate Revenues” and “—Use of PFCs to Pay Debt Service” and “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Subordinate Obligations.”

The Subordinate Series 2016D/E Bonds are limited obligations of the Commission payable solely from and secured by a pledge of (a) Subordinate Revenues, (b) certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture, and (c) other amounts payable under the Subordinate Indenture. The Subordinate Series 2016D/E Bonds are not general obligations of the Commission. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of St. Paul, the State or any political subdivision or public agency of the State is pledged to the payment of the principal of and interest on the Subordinate Series 2016D/E Bonds. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2016D/E Bonds.

Outstanding Subordinate Obligations

Pursuant to the Master Subordinate Indenture and various Supplemental Subordinate Indentures, the Commission has previously issued, and as of November 1, 2016, there was \$563,335,000 aggregate principal amount outstanding of its Subordinate Airport Revenue Refunding Bonds, Series 2010C (the

“Subordinate Series 2010C Bonds”), Subordinate Airport Revenue Refunding Bonds, Series 2010D (the “Subordinate Series 2010D Bonds”), Subordinate Airport Revenue Refunding Bonds, Series 2011A (the “Subordinate Series 2011A Bonds”), Subordinate Airport Revenue Bonds, Series 2012A (the “Subordinate Series 2012A Bonds”), Subordinate Airport Revenue Refunding Bonds, Series 2012B (the “Subordinate Series 2012B Bonds”), Subordinate Airport Revenue Refunding Bonds, Series 2014A (the “Subordinate Series 2014A Bonds”), Subordinate Airport Revenue Refunding Bonds, Series 2014B (the “Subordinate Series 2014B Bonds”), and Subordinate Airport Revenue Refunding Bonds, Series 2016B (the “Subordinate Series 2016B Bonds,” and collectively with the Subordinate Series 2010C Bonds, the Subordinate Series 2010D Bonds, the Subordinate Series 2011A Bonds, the Subordinate Series 2012A Bonds, the Subordinate Series 2012B Bonds, the Subordinate Series 2014A Bonds and the Subordinate Series 2014B Bonds, the “Prior Subordinate Bonds”).

Additionally, pursuant to the Master Subordinate Indenture, the Fourteenth Supplemental Subordinate Trust Indenture, dated as of November 1, 2014 (the “Fourteenth Supplemental Subordinate Indenture”), by and between the Commission and the Subordinate Trustee, and the Credit Agreement, dated as of November 1, 2014 (the “Subordinate Short-Term Obligations Credit Agreement”), by and between the Commission and BMO Harris Bank, N.A. (the “Subordinate Short-Term Obligations Bank”), the Commission is authorized to issue and have outstanding, from time to time, up to \$75,000,000 in aggregate principal amount of its Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Short-Term Obligations (collectively, the “Subordinate Short-Term Obligations”). As of November 1, 2016, the Commission had \$40,648,500 aggregate principal amount of Subordinate Short-Term Obligations outstanding. All Subordinate Short-Term Obligations issued by the Commission are purchased by the Subordinate Short-Term Obligations Bank in accordance with the terms of the Subordinate Short-Term Obligations Credit Agreement. On January 1, 2017, the Commission expects to repay between approximately \$26.5 and \$26.8 million of the Subordinate Short-Term Obligations with a portion of the proceeds of the Subordinate Series 2016D Bonds and certain other available moneys of the Commission.

Agreements with Airlines and Other Concessionaires

As of July 1, 2016, 34 Air Carriers were operating at the Airport, including Delta and its affiliated Air Carriers. Twenty-eight of the 34 Air Carriers have entered into an Airline Operating Agreement and Terminal Building Lease – Minneapolis-St. Paul International Airport, as amended, with the Commission (collectively, the “Airline Lease Agreements”). In addition to covering the lease of certain portions of the passenger terminal complex, including the apron, the Airline Lease Agreements cover the use of and charging mechanisms for the airfield facilities. The rates and charges under the Airline Lease Agreements are calculated based on a compensatory rate-setting methodology for the passenger terminal complex and a cost-center residual rate-setting methodology for the airfield. Six of the Air Carriers, including Delta and its affiliated Air Carriers, have entered into Airline Lease Agreements that have an expiration date of December 31, 2020; 20 Air Carriers have entered into Airline Lease Agreements that have an expiration date of December 31, 2018; and two Air Carriers (Air Choice One and Boutique Air) have entered into Airline Lease Agreements that have an expiration date of December 31, 2018, but may be cancelled by the Air Carriers with 30-day’s notice to the Commission. For purposes of this Official Statement, except as otherwise provided herein, those Air Carriers that have signed an Airline Lease Agreement are referred to herein as “Signatory Airlines.” See “AGREEMENTS WITH AIRLINES AND OTHER CONCESSIONAIRES—Airline Lease Agreements” and “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE LEASE AGREEMENTS.”

The Commission also has entered numerous other agreements with various parties regarding the lease of space and the sale of goods and services in connection with certain activities at the Airport,

including, but not limited to, concessions, parking and rental cars. See “AGREEMENTS WITH AIRLINES AND OTHER CONCESSIONAIRES.”

Capital Improvement Program

The Commission has an ongoing capital improvement program at the Airport and the Reliever Airports, which includes, among other projects, end of life/replacement projects, information technology projects, long-term comprehensive plan projects, maintenance/facility upgrade projects, ongoing maintenance projects, noise mitigation projects and tenant specific projects. Each year, the Commission adopts a capital improvement program (“CIP”) that covers all projects which are to be started and/or continued during the next two years. On December 21, 2015, the Commission approved a two-year CIP (the “2016-17 CIP”) that includes projects, the construction of which will occur and/or begin during calendar years 2016 and 2017. The 2016-17 CIP, as amended, has a total cost of approximately \$747 million.

For longer range funding and planning decisions, in addition to the two-year CIP, the Commission adopts a CIP that covers an additional five-year period. On December 21, 2015, the Commission adopted a CIP for the five-year period between 2018 and 2022 (the “2018-22 CIP”). The 2018-22 CIP includes approximately \$727 million of projects that are expected to be continued or started between calendar years 2018 and 2022.

The Commission plans to finance the 2016-17 CIP and the 2018-22 CIP with proceeds of the Senior Series 2016C Bonds, the Subordinate Series 2016E Bonds and Additional Senior Bonds and/or Additional Subordinate Obligations (approximately \$685 million), passenger facility charges (approximately \$355 million, on a pay-as-you-go basis), federal and State grants (approximately \$69 million), and other available moneys of the Commission (approximately \$365 million). See “PLAN OF FINANCE,” “CAPITAL IMPROVEMENT PROGRAM” and “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT” for additional information on the 2016-17 CIP, the 2018-22 CIP and their expected funding sources.

Report of the Airport Consultant

Included as Appendix A to this Official Statement is the Report of the Airport Consultant, dated November 22, 2016 (the “Report of the Airport Consultant”) prepared by LeighFisher (the “Airport Consultant”), which, among other things, provides information concerning the Airport System, describes the Commission’s capital improvement program, forecasts future levels of airline activity at and revenues of the Airport System and forecasts future debt service coverage levels. The Report of the Airport Consultant should be read in its entirety for an understanding of the assumptions and rationale underlying the airline activity and financial forecasts contained therein. The Report of the Airport Consultant does not reflect the final terms of the Series 2016C/D/E Bonds. See “REPORT OF THE AIRPORT CONSULTANT,” “CERTAIN INVESTMENT CONSIDERATIONS—Assumptions in the Report of the Airport Consultant” and “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT.”

Continuing Disclosure

The Commission will covenant for the benefit of the Owners and Beneficial Owners of the Series 2016C/D/E Bonds to provide, or cause to be provided, annually certain financial information and operating data concerning the Commission and the Airport and certain other obligated persons, including Delta, and to provide, or cause to be provided, notices of certain enumerated events, to assist the Underwriters (as defined herein) in complying with Rule 15c2-12(b)(5)(i) of the Securities and Exchange

Commission (the “SEC”). See “CONTINUING DISCLOSURE” and “APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.”

Forward-Looking Statements

This Official Statement, including the appendices hereto, contains statements relating to future results that are forward-looking statements. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material. See “CERTAIN INVESTMENT CONSIDERATIONS—Forward-Looking Statements.”

Additional Information

Brief descriptions of the Series 2016C/D/E Bonds, the Senior Indenture, the Subordinate Indenture, the Airline Lease Agreements and certain other documents are included in this Official Statement and the appendices hereto. Such descriptions do not purport to be comprehensive or definitive. All references herein to such documents and any other documents, statutes, reports or other instruments described herein are qualified in their entirety by reference to each such document, statute, report or other instrument. Information contained herein has been obtained from officers, employees and records of the Commission and from other sources believed to be reliable. The information herein is subject to change without notice, and the delivery of this Official Statement will under no circumstances, create any implication that there has been no change in the affairs of the Commission since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Commission or the Underwriters and the purchasers or Owners of any of the Series 2016C/D/E Bonds.

The Commission maintains certain websites, the information on which is not part of this Official Statement, has not and is not incorporated by reference herein and should not be relied upon in deciding whether to invest in the Series 2016C/D/E Bonds.

PLAN OF FINANCE

Plan of Finance

General. Proceeds from the sale of the Series 2016C/D/E Bonds, along with certain other available moneys of the Commission, will be used to (a) finance the design, construction, improvement and equipping of the Series 2016C/E Projects (as described below), (b) repay a portion of the outstanding Subordinate Short-Term Obligations, (c) make a deposit to the Subordinate Reserve Fund, (d) fund capitalized interest on the Senior Series 2016C Bonds through July 1, 2018, and (e) pay the costs of issuance of the Series 2016C/D/E Bonds.

Series 2016C/E Projects. A portion of the proceeds of the Senior Series 2016C Bonds and the Subordinate Series 2016E Bonds will be used to finance the design, construction, improvement and equipping of the following projects at the Airport (collectively, the “Series 2016C/E Projects”):

New Parking Garage. The Commission will construct a new, 11-level, parking structure adjacent to the existing parking facilities at Terminal 1-Lindbergh (the “New Parking Garage”). The garage will provide public parking on levels 6 through 11 (approximately 3,300 parking spaces), with rental car

parking facilities on levels 2 through 5. A new rental car customer service building and a new transit center will be constructed on the ground level of the parking structure. This project also includes extending the underground tram corridor (although not the tram), vertical circulation building, entrance helix, exit helix, associated utilities, lighting, landscaping, signage, roadways, and security features, and relocating the rental car ready/return areas from the existing parking garages at Terminal 1-Lindbergh. The estimated cost of the New Parking Garage is \$293 million.

Roadway & Plaza Relocation. In connection with the construction of the New Parking Garage, the Commission will relocate a major portion of the outbound roadway and associated utilities at Terminal 1-Lindbergh, modify the entrance to the existing public facilities at Terminal 1-Lindbergh and construct a new exit plaza to accommodate the New Parking Garage. The estimated cost of this portion of the Series 2016C/E Project is \$100 million.

Parking Management Building and Revenue Control System. The new exit plaza, including a new parking management building, revenue control system, exit booths with associated canopy, electrical and mechanical systems, fiber optic cabling, and landscaping will be constructed in connection with the construction of the New Parking Garage. The estimated cost of this portion of the Series 2016C/E Project is \$24 million.

Other Components of Series 2016C/E Projects. Certain other projects will be undertaken in connection with the construction of the New Parking Garage, including, certain grade separation projects and a new cargo and stores building to be leased by Delta. The estimated cost of this portion of the Series 2016C/E Project is \$26 million.

The Series 2016C/E Projects are expected to be completed by the fall of 2019.

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Estimated Sources and Uses of Funds

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Series 2016C/D/E Bonds and the plan of finance described above.

	Senior Series 2016C Bonds	Subordinate Series 2016D Bonds	Subordinate Series 2016E Bonds	Total¹
Sources				
Par Amount	\$207,250,000	\$23,410,000	\$171,690,000	\$402,350,000
Original Issue Premium	24,981,521	1,892,487	–	26,874,008
Release from Senior Reserve Fund	2,691,761	–	–	2,691,761
Commission Moneys	–	<u>2,000,000</u>	–	<u>2,000,000</u>
Total Sources ¹	<u>\$234,923,282</u>	<u>\$27,302,487</u>	<u>\$171,690,000</u>	<u>\$433,915,769</u>
Uses				
Series 2016C/E Projects	\$218,191,761	\$ –	\$169,500,000	\$387,691,761
Repayment of Subordinate Short-Term Obligations ²	–	27,000,000	–	27,000,000
Deposit to Senior Series 2016C Interest Account ³	15,686,052	–	–	15,686,052
Deposit to Subordinate Reserve Fund	–	185,847	1,363,009	1,548,855
Costs of Issuance ⁴	<u>1,045,469</u>	<u>116,640</u>	<u>826,991</u>	<u>1,989,101</u>
Total Uses ¹	<u>\$234,923,282</u>	<u>\$27,302,487</u>	<u>\$171,690,000</u>	<u>\$433,915,769</u>

¹ Totals may not sum due to rounding.

² On January 1, 2017, the Commission expects to repay \$27 million of the Subordinate Short-Term Obligations with a portion of the proceeds of the Subordinate Series 2016D Bonds and certain other available moneys of the Commission.

³ Represents a portion of the interest accruing on a portion of the Senior Series 2016C Bonds through July 1, 2018.

⁴ Includes Underwriters' discount, legal fees, financial advisory fees, rating agency fees and other costs of issuance.

DESCRIPTION OF THE SERIES 2016C/D/E BONDS

General

The Series 2016C/D/E Bonds will bear interest at the rates and mature on the dates set forth on the inside front cover pages of this Official Statement. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Series 2016C/D/E Bonds will be dated their initial date of delivery, and will bear interest from that date payable semi-annually on January 1 and July 1 of each year, commencing July 1, 2017 (each an "Interest Payment Date"). Interest due and payable on the Series 2016C/D/E Bonds on any Interest Payment Date will be paid to the person who is the registered owner as of the Record Date (The Depository Trust Company, New York, New York ("DTC"), so long as the book-entry system with DTC is in effect). Each Series 2016C/D/E Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is an Interest Payment Date, in which event such Series 2016C/D/E Bond will bear interest from such date of authentication, or unless such date of authentication is after a Record Date and before the next succeeding Interest Payment Date, in which event such Series 2016C/D/E Bond will bear interest from such succeeding Interest Payment Date, or unless such date of authentication is on or before June 15, 2017, in which event such Series 2016C/D/E Bond will bear interest from its date of delivery. If interest on the Series 2016C/D/E Bonds is in default, Series 2016C/D/E Bonds issued in exchange for Series 2016C/D/E Bonds surrendered for transfer or exchange will bear interest from the last Interest Payment Date to which interest has been paid in full on the Series 2016C/D/E Bonds surrendered.

The Series 2016C/D/E Bonds will be issued in denominations of \$5,000 and integral multiples thereof. The Series 2016C/D/E Bonds will be issued in fully registered form and will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Series 2016C/D/E Bonds. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Series 2016C/D/E Bonds purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Series 2016C/D/E Bonds, references herein to the Bondholders or registered owners means Cede & Co. and does not mean the Beneficial Owners of the Series 2016C/D/E Bonds.

So long as Cede & Co. is the registered owner of the Series 2016C/D/E Bonds, the principal of and interest on the Series 2016C/D/E Bonds will be payable by wire transfer by the Senior Trustee or the Subordinate Trustee, as applicable, to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC participants for subsequent disbursement to the Beneficial Owners. See “APPENDIX G—BOOK-ENTRY-ONLY SYSTEM.”

Redemption of Series 2016C/D/E Bonds

Optional Redemption.

Senior Series 2016C Bonds. The Senior Series 2016C Bonds maturing on or before January 1, 2027 are not subject to optional redemption prior to maturity. The Senior Series 2016C Bonds maturing on or after January 1, 2028 are redeemable at the option of the Commission on or after January 1, 2027, in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to 100% of the principal amount of the Senior Series 2016C Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Subordinate Series 2016D Bonds. The Subordinate Series 2016D Bonds maturing on or before January 1, 2027 are not subject to optional redemption prior to maturity. The Subordinate Series 2016D Bonds maturing on or after January 1, 2028 are redeemable at the option of the Commission on or after January 1, 2027, in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to 100% of the principal amount of the Subordinate Series 2016D Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Subordinate Series 2016E Bonds.

Optional Redemption at Make-Whole Redemption Price (Prior to January 1, 2027). Prior to January 1, 2027, the Subordinate Series 2016E Bonds are redeemable at the option of the Commission, in whole or in part (on a pro-rata pass-through distribution of principal basis), at any time, from any moneys that may be provided for such purpose and at a redemption price equal to the greater of: (i) 100% of the principal amount of the Subordinate Series 2016E Bonds to be redeemed, and (ii) the sum of the present values of the remaining scheduled payments of principal of and interest on the Subordinate Series 2016E Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the Subordinate Series 2016E Bonds are to be redeemed, discounted to the redemption date on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate, plus 30 basis points; plus, in each case, accrued and unpaid interest on the Subordinate Series 2016E Bonds to be redeemed to the date fixed for redemption.

“Treasury Rate” means, with respect to any redemption date for a particular Subordinate Series 2016E Bond, the rate per annum, expressed as a percentage of the principal amount, equal to the semiannual equivalent yield to maturity or interpolated maturity of the Comparable Treasury Issue,

assuming that the Comparable Treasury Issue is purchased on the redemption date for a price equal to the Comparable Treasury Price, as calculated by the Designated Investment Banker.

“Comparable Treasury Issue” means, with respect to any redemption date for a particular Subordinate Series 2016E Bond, the United States Treasury security or securities selected by the Designated Investment Banker which has an actual or interpolated maturity comparable to the remaining average life of the Subordinate Series 2016E Bonds to be redeemed, and that would be utilized in accordance with customary financial practice in pricing new issues of debt securities of comparable maturity to the remaining average life of the Subordinate Series 2016E Bonds to be redeemed.

“Comparable Treasury Price” means, with respect to any redemption date for a particular Subordinate Series 2016E Bond, (a) if the Designated Investment Banker receives at least four Reference Treasury Dealer Quotations, the average of such quotations for such redemption date, after excluding the highest and lowest Reference Treasury Dealer Quotations, or (b) if the Designated Investment Banker obtains fewer than four Reference Treasury Dealer Quotations, the average of all such quotations.

“Designated Investment Banker” means one of the Reference Treasury Dealers appointed by the Commission.

“Reference Treasury Dealer” means each of the four firms, specified by the Commission from time to time, that are primary United States government securities dealer in the City of New York (each a “Primary Treasury Dealer”); provided, however, that if any of them ceases to be a Primary Treasury Dealer, the Commission will substitute another Primary Treasury Dealer.

“Reference Treasury Dealer Quotations” means, with respect to each Reference Treasury Dealer and any redemption date for a particular Subordinate Series 2016E Bond, the average, as determined by the Designated Investment Banker, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Designated Investment Banker by such Reference Treasury Dealer at 3:30 p.m. (New York City time), on the Valuation Date.

“Valuation Date” means a date that is no earlier than 45 days prior to the redemption date.

Optional Redemption at Par (On and after January 1, 2027). On and after January 1, 2027, the Subordinate Series 2016E Bonds maturing on or after January 1, 2028 are redeemable at the option of the Commission, in whole or in part at any time, from any moneys that may be provided for such purpose and at a redemption price equal to 100% of the principal amount of the Subordinate Series 2016E Bonds to be redeemed plus accrued interest to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Senior Series 2016C Bonds maturing on January 1, 2041 (the “Senior Series 2016C Term Bonds (2041)”) are subject to mandatory sinking fund redemption in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on January 1 of the following years and in the following principal amounts:

Redemption Date (January 1)	Principal Amount
2038	\$ 8,955,000
2039	9,405,000
2040	9,875,000
2041*	10,370,000

* Final Maturity.

The Senior Series 2016C Bonds maturing on January 1, 2046 (the “Senior Series 2016C Term Bonds (2046)”) are subject to mandatory sinking fund redemption in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on January 1 of the following years and in the following principal amounts:

Redemption Date (January 1)	Principal Amount
2042	\$10,890,000
2043	11,430,000
2044	12,005,000
2045	12,605,000
2046*	13,235,000

* Final Maturity.

The Subordinate Series 2016D Bonds maturing on January 1, 2041 (the “Subordinate Series 2016D Term Bonds,” and collectively with the Senior Series 2016C Term Bonds (2041) and the Senior Series 2016C Term Bonds (2046), the “Series 2016C/D Term Bonds”) are subject to mandatory sinking fund redemption in part, by lot, at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon to the date fixed for redemption, without premium, on January 1 of the following years and in the following principal amounts:

Redemption Date (January 1)	Principal Amount
2038	\$1,395,000
2039	1,465,000
2040	1,540,000
2041*	1,620,000

* Final Maturity.

At the option of the Commission, to be exercised by delivery of a written certificate to the Senior Trustee or the Subordinate Trustee, as applicable, on or before the 60th day next preceding any mandatory sinking fund redemption date for the applicable Series of Series 2016C/D Term Bonds, it may (a) deliver to the Senior Trustee or the Subordinate Trustee, as applicable, for cancellation Senior Series 2016C Term Bonds (2041), Senior Series 2016C Term Bonds (2046) and/or Subordinate Series 2016D Term Bonds, as applicable, or portions thereof (in Authorized Denominations) purchased in the open market or

otherwise acquired by the Commission or (b) specify a principal amount of such Senior Series 2016C Term Bonds (2041), Senior Series 2016C Term Bonds (2046) and/or Subordinate Series 2016D Term Bonds, as applicable, or portions thereof (in Authorized Denominations) which prior to said date have been optionally redeemed and previously cancelled by the Senior Trustee or the Subordinate Trustee, as applicable, at the request of the Commission and not theretofore applied as a credit against any mandatory sinking fund redemption requirement. The Series 2016C/D Term Bonds or portion thereof so purchased or otherwise acquired or redeemed and delivered to the Senior Trustee or the Subordinate Trustee, as applicable, for cancellation will be credited by the Senior Trustee or the Subordinate Trustee, as applicable, at 100% of the principal amount thereof against the obligation of the Commission to pay the principal of such applicable Series of Series 2016C/D Term Bonds on such mandatory sinking fund redemption date.

Notices of Redemption to Bondholders; Conditional Notice of Optional Redemption. The Senior Trustee or the Subordinate Trustee, as applicable, will give notice of redemption, in the name of the Commission, to Bondholders affected by redemption (or DTC, so long as the book-entry system with DTC is in effect) at least 30 days but not more than 60 days before each redemption date and send such notice of redemption by first class mail (or with respect to Series 2016C/D/E Bonds held by DTC, either via electronic means or by an express delivery service for delivery on the next following Business Day) to each applicable owner of a Series 2016C/D/E Bond to be redeemed; each such notice will be sent to the owner's registered address.

Each notice of redemption will specify the Series, maturity date, interest rate and CUSIP number of each Series 2016C/D/E Bond to be redeemed (if less than all Series 2016C/D/E Bonds of a Series and maturity date are called for redemption, the numbers assigned to the Series 2016C/D/E Bonds to be redeemed), the principal amount to be redeemed, the date fixed for redemption, the redemption price (or the formula that will be used to calculate the redemption price on the redemption date, provided a supplemental notice of redemption is delivered prior to the redemption date setting forth the actual redemption price), the place or places of payment, the Senior Trustee's name or the Subordinate Trustee's name, as applicable, that payment will be made upon presentation and surrender of the Series 2016C/D/E Bonds to be redeemed, that interest, if any, accrued to the date fixed for redemption and not paid will be paid as specified in said notice, and that on and after said date interest thereon will cease to accrue.

Failure to give any required notice of redemption as to any particular Series 2016C/D/E Bond will not affect the validity of the call for redemption of any Series 2016C/D/E Bond in respect of which no failure occurs. Any notice sent as provided in the Senior Indenture or the Subordinate Indenture, as applicable, will be conclusively presumed to have been given whether or not actually received by the addressee. When notice of redemption is given, Series 2016C/D/E Bonds called for redemption become due and payable on the date fixed for redemption at the applicable redemption price. In the event that funds are deposited with the Senior Trustee or the Subordinate Trustee, as applicable, sufficient for redemption, interest on the applicable Series 2016C/D/E Bonds to be redeemed will cease to accrue on and after the date fixed for redemption.

Upon surrender of a Series 2016C/D/E Bond to be redeemed, in part only, the Senior Trustee or the Subordinate Trustee, as applicable, will authenticate for the holder a new Senior Series 2016C Bond(s), Subordinate Series 2016D Bond(s) or Subordinate Series 2016E Bond(s), as applicable, of the same Series, maturity and interest rate equal in principal amount to the unredeemed portion of the applicable Series 2016C/D/E Bond surrendered.

The Commission may provide that if at the time of mailing of notice of an optional redemption there has not been deposited with the Senior Trustee or the Subordinate Trustee, as applicable, moneys sufficient to redeem all the applicable Series 2016C/D/E Bonds called for redemption, such notice may

state that it is conditional and subject to the deposit of the redemption moneys with the Senior Trustee or the Subordinate Trustee, as applicable, not later than the opening of business one Business Day prior to the scheduled redemption date, and such notice will be of no effect unless such moneys are so deposited. In the event sufficient moneys are not on deposit on the required date, then the redemption will be cancelled and on such cancellation date notice of such cancellation will be mailed to the holders of such applicable Series of Series 2016C/D/E Bonds.

Effect of Redemption. On the date so designated for redemption, notice having been given in the manner and under the conditions provided in the Senior Indenture or the Subordinate Indenture, as applicable, and as described above and sufficient moneys for payment of the redemption price being held in trust to pay the redemption price, interest on such applicable Series 2016C/D/E Bonds will cease to accrue from and after such redemption date, such Series 2016C/D/E Bonds will cease to be entitled to any lien, benefit or security under the Senior Indenture or the Subordinate Indenture, as applicable, and the owners of such Series 2016C/D/E Bonds will have no rights in respect thereof except to receive payment of the redemption price. Series 2016C/D/E Bonds which have been duly called for redemption and for the payment of the redemption price of which moneys will be held in trust for the holders of the respective Series 2016C/D/E Bonds to be redeemed, all as provided in the Senior Indenture or the Subordinate Indenture, as applicable, will not be deemed to be Outstanding under the provisions of the Senior Indenture or the Subordinate Indenture, as applicable.

Selection of Series 2016C/D Bonds for Redemption; Series 2016C/D Bonds Redeemed in Part. Redemption of the Series 2016C/D Bonds will only be in Authorized Denominations. The Series 2016C/D Bonds are subject to redemption in such order of maturity within a Series (except mandatory sinking fund payments on the Series 2016C/D Term Bonds) as the Commission may direct and by lot within such maturity of such Series selected in such manner as the Senior Trustee or the Subordinate Trustee, as applicable (or DTC, as long as DTC is the securities depository for the Series 2016C/D Bonds), deems appropriate.

Except as otherwise provided under the procedures of DTC, on or before the 45th day prior to any mandatory sinking fund redemption date, the Senior Trustee or the Subordinate Trustee, as applicable, will proceed to select for redemption (by lot in such manner as the Senior Trustee or the Subordinate Trustee, as applicable, may determine), from all Senior Series 2016C Term Bonds (2041), Senior Series 2016C Term Bonds (2046) or Subordinate Series 2016D Term Bonds, as applicable, subject to such redemption, an aggregate principal amount of such Senior Series 2016C Term Bonds (2041), Senior Series 2016C Term Bonds (2046) or Subordinate Series 2016D Term Bonds, as applicable, equal to the amount for such year as set forth in the table under “Mandatory Sinking Fund Redemption” above and will call such Senior Series 2016C Term Bonds (2041), Senior Series 2016C Term Bonds (2046) or Subordinate Series 2016D Term Bonds, as applicable, or portions thereof (in Authorized Denominations) for redemption and give notice of such call.

Selection of the Subordinate Series 2016E Bonds for Redemption; Subordinate Series 2016E Bonds Redeemed in Part. Redemption of the Subordinate Series 2016E Bonds will only be in Authorized Denominations. The Subordinate Series 2016E Bonds are subject to redemption in such order of maturity as the Commission may direct. If less than all of the Subordinate Series 2016E Bonds of a maturity are redeemed prior to maturity, the particular Subordinate Series 2016E Bonds to be redeemed will be selected on a pro-rata pass-through distribution of principal basis in accordance with the rules and procedures of DTC.

It is the Commission’s intent that redemption allocations made by DTC, the Participants or such other intermediaries that may exist between the Commission and the beneficial owners of the Subordinate Series 2016E Bonds will be made on a pro-rata pass-through distribution of principal basis. However, so

long as the Subordinate Series 2016E Bonds are held in the book-entry system of DTC, the selection for redemption of such Subordinate Series 2016E Bonds will be made in accordance with the operational arrangements of DTC then in effect. The Commission cannot provide any assurance and nor will the Commission have any responsibility or obligation to ensure that DTC, the Participants or any other intermediaries allocate redemptions of the Subordinate Series 2016E Bonds among beneficial owners on a pro-rata pass-through distribution of principal basis. If the DTC operational arrangements do not allow for the redemption of the Subordinate Series 2016E Bonds on a pro-rata pass-through distribution of principal basis, the Subordinate Series 2016E Bonds will be selected for redemption, in accordance with DTC procedures, by lot. If the Subordinate Series 2016E Bonds are no longer held in the book-entry system of DTC and less than all of the Subordinate Series 2016E Bonds of a maturity are to be redeemed, the Subordinate Series 2016E Bonds to be redeemed will be selected by the Subordinate Trustee on a pro-rata pass-through distribution of principal basis among all of the holders of the Subordinate Series 2016E Bonds based on the principal amount of Subordinate Series 2016E Bonds owned by such holders.

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS

Flow of Funds

The application of revenues of the Commission is governed by relevant provisions of the Act, internal guidelines of the Commission and applicable provisions of the Master Senior Indenture and the Master Subordinate Indenture.

Pursuant to the internal guidelines of the Commission, all income and revenue from the operation of the Airport System, of whatever kind or nature, and all net income from leases or any other source of income or revenue, are deposited in a special fund established and administered by the Commission and designated as the “Operating Fund.” These moneys are held separate and apart from all other moneys of the Commission.

Pursuant to the Act and the Master Senior Indenture, all moneys in the Operating Fund are set aside for the payment of the following amounts or transferred to the following funds and accounts in the order listed:

(a) *Maintenance and Operation Expenses of the Airport System.* A sufficient amount of Revenues will be set aside from time to time in the Operating Fund to be used to pay the current Maintenance and Operation Expenses of the Airport System.

(b) *Commission Debt Service Fund for General Obligation Revenue Bonds (current principal and interest portion) and Senior Debt Service Funds.* A sufficient amount of Revenues will be transferred by the Commission, without priority and on an equal basis, except as to timing of payment, (i) on or before October 10 of each Fiscal Year to the Commission Debt Service Fund to satisfy the Commission’s obligation to have on deposit in such fund an amount equal to the principal and interest required to be paid in the following Fiscal Year on the outstanding General Obligation Revenue Bonds; and (ii) to the Senior Trustee in the amounts, at the times and in the manner provided for in the Senior Indenture, to provide for the payment of principal and interest to become due on the Outstanding Senior Bonds.

(c) *Commission Debt Service Fund for General Obligation Revenue Bonds (reserve portion) and Senior Debt Service Reserve Funds.* A sufficient amount of Revenues will be transferred by the Commission, without priority and on an equal basis, except as to timing of payment, (i) on or before October 10 of each Fiscal Year to the Commission Debt Service Fund to satisfy the Commission’s obligation to have on deposit in such fund a reserve sufficient to pay

the debt service on its General Obligation Revenue Bonds required to be paid in the second following Fiscal Year; and (ii) to the Senior Trustee for deposit into the respective debt service reserve funds established pursuant to the Senior Indenture, if any, such amounts as required to be used to pay or replenish such debt service reserve funds or reimburse a Credit Provider of a Debt Service Reserve Fund Surety Policy.

(d) *Reimbursement of Commission Debt Service Fund Deficiencies (Repay Property Taxes Used for General Obligation Revenue Bonds Debt Service).* If a Commission Debt Service Fund deficiency tax with respect to the General Obligation Revenue Bonds has been certified in accordance with the Act, a sufficient amount of Revenues will be set aside in the Operating Fund to make payments of principal and interest to the treasurer of each county which extended a deficiency tax on its tax rolls to make up the deficiency in the Commission Debt Service Fund.

(e) *Subordinate Obligation Debt Service.* To the Subordinate Trustee such amounts and, at such times, as are sufficient to pay the debt service on any indebtedness, including Subordinate Obligations, issued pursuant to the terms of the Subordinate Indenture.

(f) *Subordinate Obligation Debt Service Reserve Funds.* To the Subordinate Trustee for deposit into the respective debt service reserve funds established pursuant to the Subordinate Indenture, if any, such amounts as required to be used to pay or replenish such debt service reserve funds or reimburse a Credit Provider of a Debt Service Reserve Fund Surety Policy.

(g) *Maintenance and Operation Reserve Account.* To the payment of the amount established by the Commission as the minimum amount (currently equal to six months of maintenance and operation expenses) required to be deposited in the Maintenance and Operation Reserve Account (such account to be established within the Operating Fund).

(h) *Commission Construction Fund.* To the Commission Construction Fund (such is fund held and administered by the Commission), such amounts, if any, as the Commission may determine in its discretion to be used in any manner provided by the Commission. Pursuant to the Airline Lease Agreements, the Commission has established the Repair and Replacement Account in the Commission Construction Fund.

(i) *Health Self-Insurance Trust Fund.* To the Health Self-Insurance Trust Fund (such fund is held and administered by the Commission), such amounts, if any, as the Commission may determine in its discretion to be used in the manner provided by the Commission.

(j) *Coverage Account.* To the Coverage Account (such account to be established within the Operating Fund) such amounts, if any, as the Commission may determine from time to time to be used to pay for Maintenance and Operation Expenses of the Airport System, debt service or redemption premiums on Outstanding Senior Bonds or the cost of additions, improvements and repairs to the Airport System.

If no General Obligation Revenue Bonds are outstanding, the Commission is not obligated to fund the Commission Debt Service Fund as provided in paragraphs (b)(i) and (c)(i) above and is not required to reimburse any deficiencies as provided in paragraph (d) above. As of the date of this Official Statement, the Commission has no General Obligation Revenue Bonds outstanding.

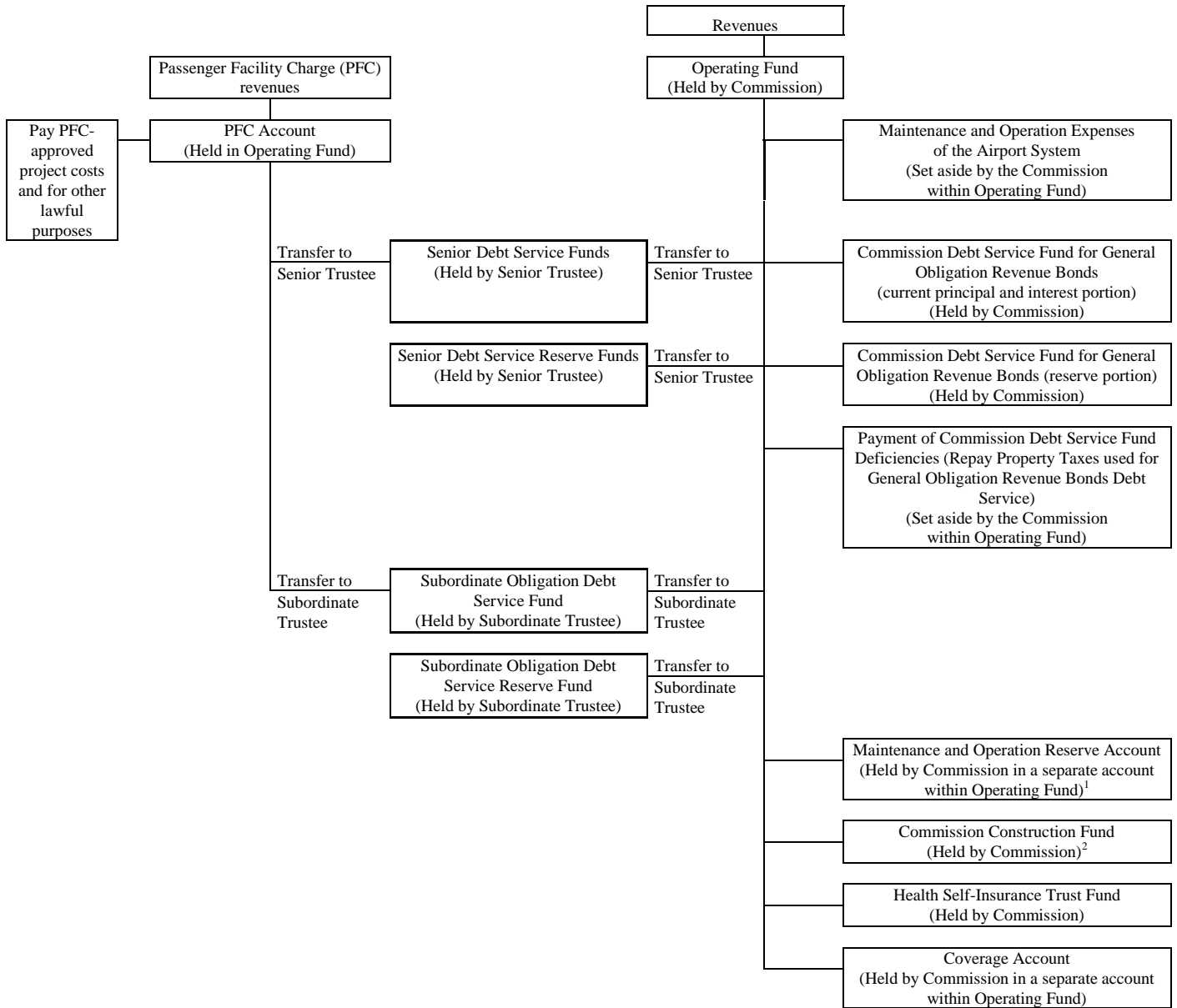
In addition to depositing all income and revenues from the operation of the Airport System to the Operating Fund, pursuant to Resolution No. 2021 adopted by the Commission on May 19, 2003, as amended

by Resolution No. 2037 adopted by the Commission on April 19, 2004 (collectively, the “PFC Resolution”), the Commission is required to deposit all passenger facility charges (“PFCs”) that it receives to the PFC Account established in the Operating Fund. PFCs deposited to the PFC Account are required to be used by the Commission in accordance with the federal rules and regulations governing the use of PFCs, including, but not limited to, paying the principal of and interest on Senior Bonds and Subordinate Obligations the proceeds of which were used to finance PFC eligible projects. See “—Use of PFCs to Pay Debt Service” below.

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The following chart provides a graphic presentation of the flow of funds under the Master Senior Indenture upon the receipt of Revenues and the PFC Resolution upon the receipt of PFCs.

**Metropolitan Airports Commission
Flow of Funds**



¹ The Commission's current policy is to maintain in the Maintenance and Operation Reserve Account an amount equal to six months of maintenance and operation expenses.

² Includes amounts deposited to the Repair and Replacement Account.

Senior Bonds

Following is a summary of certain provisions of the Senior Indenture, including, but not limited to, sections of the Senior Indenture detailing the pledge of Net Revenues, the rate covenant for the Senior Bonds, debt service deposits for the Senior Parity Bonds, the funding and utilization of the Senior Reserve Fund and the issuance of Additional Senior Bonds. These summaries do not purport to be comprehensive or definitive. See Appendices C-2 and C-3 for a more complete description of these provisions of the Senior Indenture.

Pledge of Net Revenues. The Senior Series 2016C Bonds are limited obligations of the Commission payable solely from and secured by a pledge of Net Revenues, certain funds and accounts held by the Senior Trustee under the Senior Indenture, and other amounts payable under the Senior Indenture. “Net Revenues” is defined in the Master Senior Indenture to mean, for any given period, the Revenues for such period less, for such period, all amounts which are required to be used to pay the Maintenance and Operation Expenses of the Airport System. Revenues include, but are not limited to, except to the extent specifically excluded therefrom: rates, tolls, fees, rentals, charges and other payments made to or owed to the Commission for the use or availability of the Airport System; amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Commission; the principal portion of payments received pursuant to certain self-liquidating lease agreements; and such other amounts that may be designated as Revenues pursuant to a certificate of the Commission or a Supplemental Senior Indenture. PFCs and capitalized interest, among other things, are specifically excluded from Revenues unless otherwise designated as Revenues pursuant to a certificate of the Commission or in a Supplemental Senior Indenture. The Commission has not designated pursuant to a certificate or a Supplemental Senior Indenture, including the Tenth Supplemental Senior Indenture, PFCs or capitalized interest, or any additional amounts, as Revenues. However, see “—Use of PFCs to Pay Debt Service” below for a discussion regarding the Commission’s irrevocable commitment of a portion of the PFCs received by the Commission to pay debt service on PFC Eligible Bonds (as defined herein).

The customer facility charges collected by the on-Airport rental car companies from their customers and paid to the Commission (“CFCs”) are included in Revenues; however per the provisions of the Commission ordinance that imposes the CFC (the “CFC Ordinance”), CFCs can only be used to pay debt service on Senior Bonds or Subordinate Obligations issued to finance the construction of the on-Airport rental car facilities, the Maintenance and Operation Expenses of the on-Airport rental car facilities and certain other costs and expenses associated with the on-Airport rental car facilities. CFCs will be used to pay the debt service on the Subordinate Series 2016E Bonds, the proceeds of which will be used to finance the construction of the rental car facilities to be located in the New Parking Garage. See “PLAN OF FINANCE” for additional information on the New Parking Garage. CFCs are not available to pay the debt service on any of the Senior Series 2016C Bonds, the Prior Senior Bonds, the Subordinate Series 2016D Bonds or the Prior Subordinate Bonds (except the Subordinate Series 2012A Bonds (a portion of the proceeds of which financed the construction of the rental car facilities located in the parking garage at Terminal 2-Humphrey)). See “—Use of CFCs to Pay Debt Service and Other Costs” below for a discussion regarding the use of CFCs to pay the debt service on the Subordinate Series 2016E Bonds and the Subordinate Series 2012A Bonds and other costs associated with the on-Airport rental car facilities.

Additionally, any federal grants restricted by their terms to purposes inconsistent with the payment of debt service on Senior Bonds are specifically excluded from Revenues. See “APPENDIX C-1—CERTAIN DEFINITIONS” for a more complete definition of Revenues.

The Senior Series 2016C Bonds are limited obligations of the Commission payable solely from and secured by a pledge of (a) Net Revenues, (b) certain funds and accounts held by the Senior Trustee under the Senior Indenture, and (c) other amounts payable under the Senior Indenture. The Senior Series 2016C Bonds are not general obligations of the Commission. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of St. Paul, the State or any political subdivision or public agency of the State is pledged to the payment of the principal of and interest on the Senior Series 2016C Bonds. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Senior Series 2016C Bonds.

The Senior Series 2016C Bonds are secured by a pledge of and lien on Net Revenues on a parity with the Prior Senior Bonds, any Additional Senior Bonds and any General Obligation Revenue Bonds issued pursuant to the terms of the Act. See “Additional Senior Bonds,” “—General Obligation Revenue Bonds” and “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Prior Senior Bonds.”

Senior Rate Covenant. The Commission has covenanted in the Master Senior Indenture to fulfill the following requirements:

(a) The Commission will, while any of the Senior Bonds remain Outstanding (but subject to all existing contracts and legal obligations of the Commission as of the original date of execution of the Master Senior Indenture setting forth restrictions relating thereto), establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that Net Revenues in each Fiscal Year will be at least equal to the following amounts:

(i) the Senior Aggregate Annual Debt Service on any Outstanding Senior Bonds and the Senior Aggregate Annual Debt Service on any General Obligation Revenue Bonds required to be funded by the Commission in such Fiscal Year as required by the Senior Indenture or any Supplemental Senior Indenture with respect to the Outstanding Senior Bonds and the Act with respect to General Obligation Revenue Bonds;

(ii) the required deposits to fund the Commission Debt Service Fund reserve requirement for the General Obligation Revenue Bonds and to fund any Senior Debt Service Reserve Fund (including the Senior Reserve Fund described below under “Senior Reserve Fund”) which may be established by a Supplemental Senior Indenture;

(iii) the reimbursement owed to any Credit Provider as required by a Supplemental Senior Indenture;

(iv) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than for General Obligation Revenue Bonds and Outstanding Senior Bonds, but including Subordinate Obligations; and

(v) payments of any reserve requirement for debt service for any indebtedness other than General Obligation Revenue Bonds and Outstanding Senior Bonds, but including Subordinate Obligations.

(b) The Commission has further agreed that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for

services rendered in connection therewith, so that during each Fiscal Year the Net Revenues, together with any Transfer, will be equal to at least 125% of Senior Aggregate Annual Debt Service on the Outstanding Senior Bonds. For purposes of this paragraph (b), the amount of any Transfer taken into account may not exceed 25% of Senior Aggregate Annual Debt Service on the Outstanding Senior Bonds in such Fiscal Year.

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

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

The definition of Senior Aggregate Annual Debt Service specifically excludes debt service on Senior Bonds where the payment of such debt service is made from moneys that are not included in Net Revenues. Bond Counsel has advised the Commission that it may exclude from its calculation of Senior Aggregate Annual Debt Service, for the purpose of determining compliance with the rate covenant described above, debt service or portions thereof on Senior Bonds that is paid from moneys (including, but not limited to, PFCs) not included in Net Revenues. The Commission expects to use PFCs to pay a portion of the debt service on the Senior Bonds. If PFCs are used to pay the principal of and/or interest on Senior Bonds, Senior Aggregate Annual Debt Service is decreased and debt service coverage is increased for purposes of the rate covenant under the Master Senior Indenture. See “—Use of PFCs to Pay Debt Service” below. See also “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Debt Service Coverage.”

See “AGREEMENTS WITH AIRLINES AND OTHER CONCESSIONAIRES—Airline Lease Agreements” for a discussion regarding certain limits on the ability of the Commission to raise fees to be charged to the airlines.

Senior Debt Service Deposits. The Senior Indenture provides that the Commission will transfer amounts needed to pay debt service on the Outstanding Senior Bonds to the Senior Trustee five Business Days prior to each Payment Date for the Senior Bonds.

Additionally, the Act requires that amounts needed to satisfy the funding requirements for the outstanding General Obligation Revenue Bonds must occur on or prior to October 10 of each Fiscal Year. The Act requires the Commission to have a balance on hand in the Commission Debt Service Fund on

October 10 of every year equal to the total principal and interest due on all General Obligation Revenue Bonds for the next two succeeding Fiscal Years. Moneys on deposit in the Commission Debt Service Fund for General Obligation Revenue Bonds are not available to pay principal of and interest on the Senior Bonds or the Subordinate Obligations. As of the date of this Official Statement, the Commission has no General Obligation Revenue Bonds outstanding.

Senior Reserve Fund. Pursuant to the Master Senior Indenture and the First Supplemental Senior Indenture, the Commission established a Senior Debt Service Reserve Fund (the “Senior Reserve Fund”) with the Senior Trustee to secure any Senior Bonds the Commission elects to participate in the Senior Reserve Fund. At the time of issuance of each Series of the Prior Senior Bonds, the Commission elected to have each such Series participate in the Senior Reserve Fund. Additionally, at the time of issuance of the Senior Series 2016C Bonds, the Commission will elect to have the Senior Series 2016C Bonds participate in the Senior Reserve Fund. The Prior Senior Bonds, the Senior Series 2016C Bonds and any Additional Senior Bonds the Commission elects to have participate in the Senior Reserve Fund are collectively referred to in this Official Statement as the “Senior Reserve Fund Participating Bonds.”

Moneys and investments held in the Senior Reserve Fund may only be used to pay the principal of and interest on the Senior Reserve Fund Participating Bonds (including the Senior Series 2016C Bonds). Moneys and investments held in the Senior Reserve Fund are not available to pay debt service on the General Obligation Revenue Bonds, the Subordinate Obligations (including the Subordinate Series 2016D/E Bonds) or any Additional Senior Bonds the Commission decides will not participate in the Senior Reserve Fund. The Senior Reserve Fund may be drawn upon if the amounts in the respective Senior Debt Service Funds for the Senior Reserve Fund Participating Bonds are insufficient to pay in full any principal or interest then due on the Senior Reserve Fund Participating Bonds. In the event any amounts are required to be withdrawn from the Senior Reserve Fund, such amounts will be withdrawn and deposited pro rata to meet the funding requirements of the Senior Reserve Fund Participating Bonds.

The Senior Reserve Fund is required to be funded at all times in an amount equal to the “Senior Reserve Requirement.” The “Senior Reserve Requirement” is equal to the lesser of (a) Senior Maximum Aggregate Annual Debt Service for Reserve Requirement for the Senior Reserve Fund Participating Bonds, (b) 10% of the principal amount of the Senior Reserve Fund Participating Bonds, less the amount of original issue discount with respect to such Senior Reserve Fund Participating Bonds if such original issue discount exceeded 2% on such Senior Reserve Fund Participating Bonds at the time of their original sale, and (c) 125% of the average Senior Aggregate Annual Debt Service for Reserve Requirement for the Senior Reserve Fund Participating Bonds. At the time of issuance of any Additional Senior Bonds which the Commission elects to have participate in the Senior Reserve Fund, the Senior Reserve Requirement is required to be met at the time of such issuance. At the time of issuance of the Senior Series 2016C Bonds, sufficient amounts will be on deposit in the Senior Reserve Fund to meet the Senior Reserve Requirement (\$50,703,739.49) and no proceeds of the Senior Series 2016C Bonds will be required to be deposited to the Senior Reserve Fund.

The Commission may fund all or a portion of the Senior Reserve Requirement with a Debt Service Reserve Fund Surety Policy. A Debt Service Reserve Fund Surety Policy may be an insurance policy, letter of credit or surety bond deposited in the Senior Reserve Fund in lieu of or in partial substitution for cash or securities. Any such Debt Service Reserve Fund Surety Policy must either extend to the final maturity of the Series of Senior Bonds for which the Debt Service Reserve Fund Surety Policy was issued or the Commission must agree, by Supplemental Senior Indenture, that the Commission will replace such Debt Service Reserve Fund Surety Policy prior to its expiration with another Debt Service Reserve Fund Surety Policy, or with cash, and the face amount of the Debt Service Reserve Fund Surety Policy, together with amounts on deposit in the Senior Reserve Fund, including the face amount of any other Debt Service Reserve Fund Surety Policy, are at least equal to the Senior Reserve Requirement.

Any such Debt Service Reserve Fund Surety Policy deposited to the Senior Reserve Fund will be required to secure all of the Senior Reserve Fund Participating Bonds.

The Senior Reserve Fund is currently, and will be at the time of issuance of the Senior Series 2016C Bonds funded, with cash and securities. No portion of the Senior Reserve Fund has been or will be at the time of issuance of the Senior Series 2016C Bonds funded with a Debt Service Reserve Fund Surety Policy.

Additional Senior Bonds. The Master Senior Indenture provides the Commission with flexibility as to establishing the nature and terms of any Additional Senior Bonds. Additional Senior Bonds may be issued under the Master Senior Indenture provided, among other things, that there is delivered to the Senior Trustee either:

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

(b) a certificate prepared by an Authorized Commission Representative showing that the Net Revenues (as may be adjusted as described below) for the last completed Fiscal Year or 12-month period immediately preceding the date of issuance of the proposed Series of Senior Bonds or preceding the first issuance of the proposed Senior Program Bonds were at least equal to 125% of Senior Maximum Aggregate Annual Debt Service with respect to all Outstanding Senior Bonds, Unissued Senior Program Bonds, the proposed Series of Senior Bonds and outstanding General Obligation Revenue Bonds, calculated as if the proposed Series of Senior Bonds and the full Senior Authorized Amount of such proposed Senior Program Bonds (as applicable) were then Outstanding.

For purposes of paragraph (b) above, the Commission will be allowed to adjust Net Revenues for earnings arising from any increase in the rates, charges and fees for the use of the Airport System which has become effective prior to the issuance of such proposed Series of Senior Bonds but which, during the last completed Fiscal Year or 12-month period, was not in effect for the entire period under consideration, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in rates, charges and fees had been in effect during the whole of such last completed Fiscal Year or 12-month period, as shown by the certificate or opinion of a Consultant employed by the Commission.

For purposes of paragraphs (a) and (b) above, no Transfer may be taken into account in the computation of Revenues by the Authorized Commission Representative. Additionally, when issuing Additional Senior Bonds the Commission may, for purposes of determining compliance with the additional bonds test described in paragraphs (a) and (b) above, exclude the following amounts from its calculation of Senior Maximum Aggregate Annual Debt Service: (i) debt service on Senior Bonds which is payable from PFCs specifically and irrevocably committed to the payment of debt service on such Senior Bonds, and (ii) debt service on Senior Bonds which is payable from moneys, such as federal grants, specifically and irrevocably committed or deposited with the Senior Trustee to pay debt service on such Senior Bonds. See “—Use of PFCs to Pay Debt Service” below. See also “CAPITAL

IMPROVEMENT PROGRAM—Funding Sources for the 2016-17 CIP and 2018-22 CIP Projects—
Passenger Facility Charges.”

At the time of issuance of the Senior Series 2016C Bonds, an Authorized Commission Representative will deliver a certificate as described in paragraph (a) above to the Senior Trustee.

Neither of the certificates described above under paragraphs (a) or (b) will be required:

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

(ii) if such Senior Bonds being issued constitute Senior Notes and there is delivered to the Senior Trustee, instead, a certificate prepared by an Authorized Commission Representative showing that the principal amount of the proposed Senior Notes being issued, together with the principal amount of any Senior Notes then Outstanding, does not exceed 10% of the Net Revenues for any 12 consecutive months out of the 24 months immediately preceding the issuance of the proposed Notes and there is delivered to the Senior Trustee a certificate of an Authorized Commission Representative setting forth calculations showing that for each of the Fiscal Years during which the Senior Notes will be Outstanding, and taking into account the debt service becoming due on such Senior Notes, the Commission will be in compliance with the rate covenant established by the Master Senior Indenture; or

(iii) if such Senior Bonds are being issued to pay costs of completing a Project for which Senior Bonds have previously been issued and the principal amount of such Senior Bonds being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of Senior Bonds originally issued for such Project and reasonably allocable to the Project to be completed as shown in a written certificate of an Authorized Commission Representative and there is delivered to the Senior Trustee (A) a Consultant’s certificate stating that the nature and purpose of such Project has not materially changed and (B) a certificate of an Authorized Commission Representative to the effect that (1) all of the proceeds (including investment earnings on amounts in the Senior Construction Fund allocable to such Project) of the original Senior Bonds issued to finance such Project have been or will be used to pay Costs of the Project and (2) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus moneys available in the Senior Construction Fund established for the Project (including unspent proceeds of Senior Bonds previously issued for such purpose).

In addition to the Senior Series 2016C Bonds, the Commission expects to issue Additional Senior Bonds in the future to finance the development of the Airport System. See “CAPITAL IMPROVEMENT PROGRAM.”

General Obligation Revenue Bonds

The Commission is authorized to issue up to \$55,051,875 of General Obligation Revenue Bonds without additional statutory authorization and without having to meet the requirements described above under “—Senior Bonds—Additional Senior Bonds.” Such General Obligation Revenue Bonds would have a pledge of and lien on Net Revenues on parity, except as to timing of payment, with the Senior Bonds. As of the date of this Official Statement, the Commission has no General Obligation Revenue

Bonds outstanding, and has no plans to issue any of the authorized \$55,051,875 of General Obligation Revenue Bonds.

If the Commission wanted to issue General Obligation Revenue Bonds in excess of \$55,051,875, it would be required to seek authorization from the Minnesota State Legislature and would have to comply with the additional bonds test set forth in the Master Senior Indenture (see “—Senior Bonds—Additional Senior Bonds” above). Any General Obligation Revenue Bonds issued in excess of the \$55,051,875 authorized amount would have a pledge of and lien on Net Revenues on parity, except as to timing of payment, with the Senior Bonds, or with a pledge of and lien on Subordinate Revenues on parity, except as to timing of payment, with the Subordinate Obligations (if such authority was granted by the Minnesota State Legislature). Such General Obligation Revenue Bonds could not have a pledge of and lien on Net Revenues senior to the Senior Bonds. See “—Flow of Funds” above.

Subordinate Obligations

Following is a summary of certain provisions of the Subordinate Indenture, including, but not limited to, sections of the Subordinate Indenture detailing the pledge of Subordinate Revenues, the rate covenant for the Subordinate Obligations, debt service deposits for the Subordinate Obligations, the funding and utilization of the Subordinate Reserve Fund and the issuance of Additional Subordinate Obligations. These summaries do not purport to be comprehensive or definitive. See Appendices C-4 and C-5 for a more complete description of these provisions of the Subordinate Indenture.

Pledge of Subordinate Revenues. The Subordinate Series 2016D/E Bonds are limited obligations of the Commission payable solely from and secured by a pledge of Subordinate Revenues, certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture, and other amounts payable under the Subordinate Indenture. “Subordinate Revenues” (which is referred to in the Master Subordinate Indenture as “Net Pledged Revenues”) means, for any given period, the Revenues for such period less, for such period, all amounts which are required to be used to pay the Maintenance and Operation Expenses of the Airport System, the Senior Aggregate Annual Debt Service when due on the Senior Bonds and the General Obligation Revenue Bonds and the reserve and replenishment requirements on and relating to the Senior Bonds and the General Obligation Revenue Bonds. See “—Flow of Funds” above. Also see “—Use of PFCs to Pay Debt Service” below.

The Subordinate Series 2016D/E Bonds are limited obligations of the Commission payable solely from and secured by a pledge of (a) Subordinate Revenues, (b) certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture, and (c) other amounts payable under the Subordinate Indenture. The Subordinate Series 2016D/E Bonds are not general obligations of the Commission. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of St. Paul, the State or any political subdivision or public agency of the State is pledged to the payment of the principal of and interest on the Subordinate Series 2016D/E Bonds. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2016D/E Bonds.

The Subordinate Series 2016D/E Bonds are secured by a pledge of and lien on Subordinate Revenues on parity with the Prior Subordinate Bonds, the Subordinate Short-Term Obligations and any Additional Subordinate Obligations. See “Additional Subordinate Obligations” and “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Subordinate Obligations.”

Subordinate Rate Covenant. The Commission has covenanted in the Master Subordinate Indenture to fulfill the following requirements:

(a) The Commission will, while any of the Subordinate Obligations remain Outstanding (but subject to all existing contracts and legal obligations of the Commission as of the original date of execution of the Master Subordinate Indenture setting forth restrictions relating thereto), establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that Subordinate Revenues in each Fiscal Year will be at least equal to the following amounts:

(i) the Subordinate Aggregate Annual Debt Service on any Outstanding Subordinate Obligations required to be funded by the Commission during such Fiscal Year as required by the Master Subordinate Indenture, any Supplemental Subordinate Indenture, the Master Senior Indenture or any Supplemental Senior Indenture;

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

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

(iv) the interest on and principal of any indebtedness required to be funded during such Fiscal Year other than for Special Facility Obligations, General Obligation Revenue Bonds, Senior Bonds and Outstanding Subordinate Obligations, but including obligations issued with a lien on Subordinate Revenues ranking junior and subordinate to the lien of the Subordinate Obligations; and

(v) payments of any reserve requirement for debt service for any indebtedness other than General Obligation Revenue Bonds, Senior Bonds and Outstanding Subordinate Obligations, but including obligations issued with a lien on Subordinate Revenues ranking junior and subordinate to the lien of the Subordinate Obligations.

(b) The Commission has further agreed that it will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the Subordinate Revenues, together with any Transfer, will be equal to at least 110% of Subordinate Aggregate Annual Debt Service on the Outstanding Subordinate Obligations. For purposes of this subparagraph (b), the amount of any Transfer taken into account may not exceed 10% of Subordinate Aggregate Annual Debt Service on the Outstanding Subordinate Obligations in such Fiscal Year. Notwithstanding anything to the contrary in the Master Subordinate Indenture, for purposes of this subparagraph (b) only, the calculation of Subordinate Aggregate Annual Debt Service with respect to Subordinate Short-Term Obligations will include only the principal of and interest on such Subordinate Short-Term Obligations paid from Subordinate Revenues during such Fiscal Year.

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

to produce Subordinate Revenues, together with any Transfer (only as applied in (b) above), in the amount specified in subparagraph (a) or (b) above in the next succeeding Fiscal Year.

(d) In the event that Subordinate Revenues for any Fiscal Year are less than the amount specified in subparagraph (a) or (b) above, but the Commission promptly has taken prior to or during the next succeeding Fiscal Year all lawful measures to revise the schedule of rentals, rates, fees and charges as required by subparagraph (c) above, such deficiency in Subordinate Revenues will not constitute a Subordinate Event of Default associated with the failure to comply to the covenants set forth in the Subordinate Indenture. Notwithstanding the previous sentence, a failure of the Commission at any time to pay the principal of and interest on Subordinate Obligations (including the Subordinate Series 2016D/E Bonds) will result in a Subordinate Event of Default. Nevertheless, if after taking the measures required by subparagraph (c) above to revise the schedule of rentals, rates, fees and charges, Subordinate Revenues in the next succeeding Fiscal Year (as evidenced by the audited financial statements of the Commission for such Fiscal Year) are less than the amount specified in subparagraph (a) or (b) above, such deficiency in Subordinate Revenues will constitute a Subordinate Event of Default under the provisions of the Subordinate Indenture.

The definition of Subordinate Aggregate Annual Debt Service specifically excludes debt service on Subordinate Obligations where the payment of such debt service is made from moneys that are not included in Subordinate Revenues. Bond Counsel has advised the Commission that it may exclude from its calculation of Subordinate Aggregate Annual Debt Service, for the purpose of determining compliance with the rate covenant described above, debt service or portions thereof on Subordinate Obligations paid from moneys (including, but not limited to, PFCs) not included in Subordinate Revenues. The Commission expects to use PFCs to pay a portion of the debt service on the Subordinate Obligations. If PFCs are used to pay the principal of and/or interest on the Subordinate Obligations, Subordinate Aggregate Annual Debt Service is decreased and debt service coverage is increased for purposes of the rate covenant under the Master Subordinate Indenture. See “—Use of PFCs to Pay Debt Service” below. See also “OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Debt Service Coverage.”

See “AGREEMENTS WITH AIRLINES AND OTHER CONCESSIONAIRES—Airline Lease Agreements” for a discussion regarding certain limits on the ability of the Commission to raise fees to be charged to the airlines.

Subordinate Debt Service Deposits. The Subordinate Indenture provides that the Commission will transfer amounts needed to pay debt service on the Outstanding Subordinate Obligations to the Subordinate Trustee five Business Days prior to each Payment Date for the Subordinate Obligations.

Subordinate Reserve Fund. Pursuant to the Master Subordinate Indenture and the Second Supplemental Subordinate Indenture, the Commission established a Subordinate Debt Service Reserve Fund (the “Subordinate Reserve Fund”) with the Subordinate Trustee to secure any Subordinate Obligations the Commission elects to participate in the Subordinate Reserve Fund. At the time of issuance of each Series of the Prior Subordinate Bonds, the Commission elected to have each Series participate in the Subordinate Reserve Fund. Additionally, at the time of issuance of the Subordinate Series 2016D/E Bonds, the Commission will elect to have the Subordinate Series 2016D/E Bonds participate in the Subordinate Reserve Fund. The Prior Subordinate Bonds, the Subordinate Series 2016D/E Bonds and any Additional Subordinate Obligations the Commission elects to have participate in the Subordinate Reserve Fund are collectively referred to in this Official Statement as the “Subordinate Reserve Fund Participating Bonds.”

Moneys and investments held in the Subordinate Reserve Fund may be only used to pay the principal of and interest on the Subordinate Reserve Fund Participating Bonds (including the Subordinate Series 2016D/E Bonds). Moneys and investments held in the Subordinate Reserve Fund are not available to pay debt service on the Senior Parity Bonds (including the Senior Series 2016C Bonds), the Subordinate Short-Term Obligations or any Additional Subordinate Obligations the Commission decides will not participate in the Subordinate Reserve Fund. The Subordinate Reserve Fund may be drawn upon if the amounts in the respective Subordinate Debt Service Funds for the Subordinate Reserve Fund Participating Bonds are insufficient to pay in full any principal or interest then due on the Subordinate Reserve Fund Participating Bonds. In the event any amounts are required to be withdrawn from the Subordinate Reserve Fund, such amounts will be withdrawn and deposited pro rata to meet the funding requirements of the Subordinate Reserve Fund Participating Bonds.

Except as otherwise described below, the Subordinate Reserve Fund is required to be funded at all times in an amount equal to the “Subordinate Reserve Requirement.” The “Subordinate Reserve Requirement” is equal the lesser of (a) Subordinate Maximum Aggregate Annual Debt Service for Reserve Requirement for the Subordinate Reserve Fund Participating Bonds, (b) 10% of the principal amount of the Subordinate Reserve Fund Participating Bonds, less the amount of original issue discount with respect to such Subordinate Reserve Fund Participating Bonds if such original issue discount exceeded 2% on such Subordinate Reserve Fund Participating Bonds at the time of their original sale, and (c) 125% of the average Subordinate Aggregate Annual Debt Service for Reserve Requirement for the Subordinate Reserve Fund Participating Bonds. At the time of issuance of any Additional Subordinate Obligations which the Commission elects to have participate in the Subordinate Reserve Fund, the Commission will be required to deposit an amount to the Subordinate Reserve Fund sufficient to cause the amount then on deposit in the Subordinate Reserve Fund to equal the Subordinate Reserve Requirement. Such deposit to the Subordinate Reserve Fund can be made at the time of issuance of such Additional Subordinate Obligations or over a 12-month period following the date of issuance of such Additional Subordinate Obligations. At the time of issuance of the Subordinate Series 2016D/E Bonds, a portion of the proceeds of the Subordinate Series 2016D/E Bonds will be deposited to the Subordinate Reserve Fund in order to satisfy the Subordinate Reserve Requirement, which will be \$53,035,092.12 at the time of issuance of the Subordinate Series 2016D/E Bonds.

The Commission may fund all or a portion of the Subordinate Reserve Requirement with a Debt Service Reserve Fund Surety Policy. A Debt Service Reserve Fund Surety Policy may be an insurance policy, letter of credit or surety bond deposited in the Subordinate Reserve Fund in lieu of or in partial substitution for cash or securities. Any such Debt Service Reserve Fund Surety Policy must either extend to the final maturity of the Series of Subordinate Obligations for which the Debt Service Reserve Fund Surety Policy was issued or the Commission must agree, by Supplemental Subordinate Indenture, that the Commission will replace such Debt Service Reserve Fund Surety Policy prior to its expiration with another Debt Service Reserve Fund Surety Policy, or with cash, and that the face amount of the Debt Service Reserve Fund Surety Policy, together with amounts on deposit in the Subordinate Reserve Fund, including the face amount of any other Debt Service Reserve Fund Surety Policy, are at least equal to the Subordinate Reserve Requirement. Any Debt Service Reserve Fund Surety Policy deposited to the Subordinate Reserve Fund will be required to secure all of the Subordinate Reserve Fund Participating Bonds.

The Subordinate Reserve Fund is currently, and will be at the time of issuance of the Subordinate Series 2016D/E Bonds, funded with cash and securities. No portion of the Subordinate Reserve Fund has been, or will be at the time of issuance of the Subordinate Series 2016D/E Bonds, funded with a Debt Service Reserve Fund Surety Policy.

Additional Subordinate Obligations. The Master Subordinate Indenture provides the Commission with flexibility as to establishing the nature and terms of any Additional Subordinate Obligations. Additional Subordinate Obligations may be issued under the Master Subordinate Indenture provided, among other things, there is delivered to the Subordinate Trustee either:

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

(b) a certificate, dated as of a date between the date of pricing of the Subordinate Obligations being issued and the date of delivery of such Subordinate Obligations (both dates inclusive), prepared by a Consultant showing that:

(i) the Subordinate Revenues, together with any Transfer (as calculated by said Consultant), for the last audited Fiscal Year or for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Subordinate Obligations or the establishment of a Subordinate Program, were at least equal to 110% of the sum of the Subordinate Aggregate Annual Debt Service due and payable with respect to all Outstanding Subordinate Obligations for such applicable period;

(ii) for the period, if any, from and including the first full Fiscal Year following the issuance of such proposed Series of Subordinate Obligations through and including the last Fiscal Year during any part of which interest on such Series of Subordinate Obligations is expected to be paid from the proceeds thereof, the Consultant estimates that the Commission will be in compliance with the Subordinate Obligation rate covenant, as described above under “Subordinate Rate Covenant”; and

(iii) for the period from and including the first full Fiscal Year following the issuance of such proposed Series of Subordinate Obligations during which no interest on such Series of Subordinate Obligations is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of such Series of Subordinate Obligations, or (B) the third full Fiscal Year during which no interest on such Series of Subordinate Obligations is expected to be paid from the proceeds thereof, the estimated Subordinate Revenues, together with any estimated Transfer, for each such Fiscal Year, will be at least equal to 110% of the Subordinate Aggregate Annual Debt Service for each such Fiscal Year with respect to all Outstanding Subordinate Obligations, Unissued Subordinate Program Obligations and calculated as if the proposed Series of Subordinate Obligations and the full Subordinate Authorized Amount of such proposed Subordinate Program Obligations (as applicable) were then Outstanding.

For purposes of paragraph (a) above, no Transfer may be taken into account in the computation of Revenues by the Authorized Commission Representative. For purposes of paragraph (b) above, the amount of any Transfer taken into account cannot exceed 10% of the Subordinate Aggregate Annual Debt

Service on the Outstanding Subordinate Obligations, the Unissued Subordinate Program Obligations, the proposed Series of Subordinate Obligations and the full Subordinate Authorized Amount of such proposed Subordinate Program Obligations (as applicable) in such applicable Fiscal Year.

Additionally, when issuing Additional Subordinate Obligations the Commission may, for purposes of determining compliance with the additional bonds test described in paragraphs (a) and (b) above, exclude the following amounts from its calculation of Subordinate Maximum Aggregate Annual Debt Service or Subordinate Aggregate Annual Debt Service, as the case may be: (i) debt service on Subordinate Obligations which is payable from PFCs specifically and irrevocably committed to the payment of debt service on such Subordinate Obligations, and (ii) debt service on Subordinate Obligations which is payable from moneys, such as federal grants, specifically and irrevocably committed or deposited with the Subordinate Trustee to pay such debt service on such Subordinate Obligations. See “—Use of PFCs to Pay Debt Service” above. See also “CAPITAL IMPROVEMENT PROGRAM—Funding Sources for the 2016-17 CIP and 2018-22 CIP Projects—Passenger Facility Charges.”

For purposes of paragraphs (b)(ii) and (iii) above, in estimating Subordinate Revenues and any applicable Transfer, the Consultant may take into account (1) Revenues from Projects or Airport Facilities reasonably expected to become available during the period for which the estimates are provided, (2) any increase in fees, rates, charges, rentals or other sources of Revenues which have been approved by the Commission and will be in effect during the period for which the estimates are provided, (3) any other increases in Revenues which the Consultant believes to be a reasonable assumption for such period. With respect to Maintenance and Operation Expenses of the Airport System, the Consultant may use such assumptions as the Consultant believes to be reasonable, taking into account: (i) historical Maintenance and Operation Expenses of the Airport System, (ii) Maintenance and Operation Expenses associated with the Projects and any other new Airport Facilities, and (iii) such other factors, including inflation and changing operations or policies of the Commission, as the Consultant believes to be appropriate. The Consultant will include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Subordinate Revenues and any applicable Transfer and will also set forth the calculations of Subordinate Aggregate Annual Debt Service, which calculations may be based upon information provided by another Consultant.

At the time of issuance of the Subordinate Series 2016D/E Bonds, an Authorized Commission Representative will deliver a certificate as described in paragraph (a) above to the Subordinate Trustee.

Neither of the certificates described above under paragraphs (a) or (b) will be required:

(i) if such Subordinate Obligations are being issued for the purpose of refunding then Outstanding Subordinate Obligations and there is delivered to the Subordinate Trustee, instead, a certificate of an Authorized Commission Representative showing that Subordinate Aggregate Annual Debt Service after the issuance of such Refunding Subordinate Obligations will not exceed Subordinate Aggregate Annual Debt Service prior to the issuance of such Refunding Subordinate Obligations, for each Fiscal Year;

(ii) if such Subordinate Obligations constitute Subordinate Notes and there is delivered to the Subordinate Trustee, instead, a certificate prepared by an Authorized Commission Representative showing that the principal amount of the proposed Subordinate Notes being issued, together with the principal amount of any Subordinate Notes then Outstanding, does not exceed 10% of the Subordinate Revenues for any 12 consecutive months out of the most recent 24 months immediately preceding the issuance of the proposed Subordinate Notes and there is delivered to the Subordinate Trustee a certificate of an Authorized Commission Representative setting forth calculations showing that for each of the Fiscal Years during which

the Subordinate Notes will be Outstanding, and taking into account the debt service becoming due on such Subordinate Notes, the Commission will be in compliance with the rate covenant established by the Master Subordinate Indenture; or

(iii) if such Subordinate Obligations are being issued to pay costs of completing a Project for which Subordinate Obligations have previously been issued and the principal amount of such Subordinate Obligations being issued for completion purposes does not exceed an amount equal to 15% of the principal amount of the Subordinate Obligations originally issued for such Project and reasonably allocable to the Project to be completed as shown in a written certificate of an Authorized Commission Representative and there is delivered to the Subordinate Trustee (A) a Consultant's certificate stating that the nature and purpose of such Project has not materially changed and (B) a certificate of an Authorized Commission Representative to the effect that (1) all of the proceeds (including investment earnings on amounts in the Subordinate Construction Fund allocable to such Project) of the original Subordinate Obligations issued to finance such Project have been or will be used to pay Costs of the Project and (2) the then estimated Costs of the Project exceed the sum of the Costs of the Project already paid plus moneys available in the Subordinate Construction Fund established for the Project (including unspent proceeds of Subordinate Obligations previously issued for such purpose).

In addition to the Subordinate Series 2016D/E Bonds, the Commission expects to issue Additional Subordinate Obligations in the future to finance the development of the Airport System. See "CAPITAL IMPROVEMENT PROGRAM."

Use of PFCs to Pay Debt Service

The Aviation Safety and Capacity Expansion Act of 1990, as amended (the "PFC Act"), as implemented by the FAA pursuant to published regulations (the "PFC Regulations"), permits public agencies controlling certain commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) to charge enplaning passengers using the airport a \$1.00, \$2.00 or \$3.00 PFC with certain qualifying airports permitted to charge a maximum PFC of \$4.50. Under the PFC Act, the proceeds from PFCs are required to be used to finance eligible airport-related projects (including paying the debt service on bonds issued to finance such projects) that serve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system or furnish opportunities for enhanced competition between or among Air Carriers. The Commission currently charges all enplaning passengers at the Airport a PFC of \$4.50. See "CAPITAL IMPROVEMENT PROGRAM—Funding Sources for the 2016-17 CIP and 2018-22 CIP Projects—Passenger Facility Charges" for additional information about PFCs collected by the Commission.

The definition of Revenues does not include PFCs, except to the extent included in Revenues through the adoption of a Supplemental Senior Indenture, which has not occurred to date. However, the definitions of Senior Aggregate Annual Debt Service and Subordinate Aggregate Annual Debt Service provide that, if PFCs have been irrevocably committed or are held by the Senior Trustee or the Subordinate Trustee, as applicable, or another fiduciary and are to be set aside exclusively to be used to pay principal of and/or interest on the Senior Bonds and/or the Subordinate Obligations, as applicable, then such principal and/or interest may be excluded from the calculation of Senior Aggregate Annual Debt Service or Subordinate Aggregate Annual Debt Service, as applicable; thus decreasing Senior Aggregate Annual Debt Service and/or Subordinate Aggregate Annual Debt Service, as applicable, and increasing debt service coverage for purposes of the rate covenants and the additional bonds tests under the Master Senior Indenture and/or the Master Subordinate Indenture.

Pursuant to the PFC Resolution, the Commission has irrevocably committed a portion of the PFCs it receives to the payment and funding of debt service on Senior Bonds and/or Subordinate Obligations issued to finance projects authorized to be financed with PFCs (collectively, the “PFC Eligible Bonds”) through December 31, 2030.

Pursuant to the PFC Resolution, the Commission has irrevocably committed the following amounts of PFCs in the following Fiscal Years:

TABLE 1
Metropolitan Airports Commission
Irrevocably Committed PFCs

<u>Fiscal Year</u>	<u>Irrevocably Committed PFCs</u>	<u>Fiscal Year</u>	<u>Irrevocably Committed PFCs</u>
2016	\$9,335,238	2024	\$9,333,400
2017	9,337,150	2025	9,337,650
2018	9,338,400	2026	9,334,900
2019	9,337,650	2027	9,334,650
2020	9,339,400	2028	9,465,900
2021	9,337,900	2029	9,467,625
2022	9,332,650	2030	9,462,475
2023	9,333,150		

Source: Metropolitan Airports Commission.

If the Commission does not use the full amount of the irrevocably committed PFCs to pay debt service on PFC Eligible Bonds in a Fiscal Year (i.e., there is more irrevocably committed PFCs than there is debt service due on PFC Eligible Bonds in such Fiscal Year), any unused portion of the irrevocable commitment for such Fiscal Year is not required to be carried over for use in future Fiscal Years.

In addition to the PFCs irrevocably committed pursuant to the PFC Resolution, the Commission can, in its sole discretion, use excess PFCs to pay additional debt service on PFC Eligible Bonds. In the past, the Commission has utilized all of the irrevocably committed PFCs and additional PFCs to pay the debt service on the PFC Eligible Bonds; and the Commission expects to continue to do this in the future. In Fiscal Years 2014 and 2015, the Commission used \$9.6 million and \$11.8 million, respectively, of PFCs to pay debt service on the Prior Senior Bonds, and \$16.2 million and \$16.3 million, respectively, of PFCs to pay debt service on the Prior Subordinate Bonds. The Commission expects to use between approximately \$9.2 million and \$10.7 million of PFCs each Fiscal Year between Fiscal Years 2016 and 2022, respectively, to pay debt service on the Senior Bonds. Additionally, the Commission expects to use between approximately \$16.6 million and \$17.9 million of PFCs each Fiscal Year between Fiscal Years 2016 and 2022, respectively, to pay debt service on the Subordinate Obligations. See “AGREEMENTS WITH AIRLINES AND OTHER CONCESSIONAIRES—Airline Lease Agreements” for additional information regarding certain agreements the Commission has made with respect to the use of PFCs.

Use of CFCs to Pay Debt Service and Other Costs

Pursuant to the CFC Ordinance, the on-Airport rental car companies are currently required to collect a CFC of \$5.90 per transaction day from their customers and pay the collected CFCs to the Commission. In 2015, the CFC was \$3.25 per transaction day and the Commission collected a total of approximately \$11,913,000 of CFCs. In January 2016, pursuant to the CFC Ordinance, the Commission increased the CFC to \$5.90 per transaction day in order to begin recovering the capital costs associated

with the rental car facilities to be constructed as part of the New Parking Garage. The Commission's budget for the year ending December 31, 2016 included CFC collections of approximately \$21 million. See "PLAN OF FINANCE" and "CAPITAL IMPROVEMENT PROGRAM" for additional information on the New Parking Garage.

CFCs are included in Revenues, however, per the provisions of the CFC Ordinance, CFCs can only be used to pay debt service on Senior Bonds or Subordinate Obligations issued to finance the construction of on-Airport rental car facilities, the Maintenance and Operation Expenses of the on-Airport rental car facilities and certain other costs and expenses associated with the on-Airport rental car facilities. CFCs will be used to pay the debt service on the Subordinate Series 2016E Bonds. Additionally, CFCs are currently used to pay debt service on the Subordinate Series 2012A Bonds (a portion of the proceeds of which financed the construction of the rental car facilities located in the parking garage at Terminal 2-Humphrey). CFCs are not available to pay the debt service on any of the Senior Series 2016C Bonds, the Prior Senior Bonds, the Subordinate Series 2016D Bonds or the Prior Subordinate Bonds (except the Subordinate Series 2012A Bonds). CFCs also are used to pay the Maintenance and Operation Expenses of the on-Airport rental car facilities and certain other costs and expenses associated with the on-Airport rental car facilities. See "OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE—Additional Senior Bonds and/or Subordinate Obligations" and "CAPITAL IMPROVEMENT PROGRAM." Also see "AGREEMENT WITH AIRLINES AND OTHER CONCESSIONAIRES—Rental Car Lease Agreements."

Pursuant to the provisions of the CFC Ordinance, the current \$5.90 per transaction day CFC is expected to remain at that level until December 31, 2019 (the expected completion date of the new rental car facilities to be located in the new parking garage at Terminal 1-Lindbergh). After December 31, 2019, the Commission will determine whether to leave the per transaction day CFC at \$5.90 or amend the CFC Ordinance by increasing or decreasing the per transaction day CFC at a level sufficient to recover the capital costs of the on-Airport rental car facilities, the Maintenance and Operation Expenses of the on-Airport rental car facilities and the other costs and expenses associated with the on-Airport rental car facilities that can be paid with CFCs per the CFC Ordinance. The Commission could also change the per transaction day CFC prior to December 31, 2019 if it determines that it is not collecting a sufficient amount of or it is collected an excess of CFCs in order to recover the capital costs of the on-Airport rental car facilities, the Maintenance and Operation Expenses of the on-Airport rental car facilities and the other costs and expenses associated with the on-Airport rental car facilities that can be paid with CFCs per the CFC Ordinance.

Permitted Investments

Moneys and funds held by the Commission will be invested in Permitted Investments, subject to any restrictions set forth in the Senior Indenture and the Subordinate Indenture and subject to restrictions imposed upon the Commission by the Act. Moneys and funds held by the Senior Trustee under the Senior Indenture, including moneys in the respective Senior Debt Service Funds (and the accounts therein) and the Senior Reserve Fund, may be invested as directed by the Commission in Permitted Investments, subject to the restrictions set forth in the Senior Indenture and subject to restrictions imposed upon the Commission by the Act. Moneys and funds held by the Subordinate Trustee under the Subordinate Indenture, including moneys in the respective Subordinate Debt Service Funds (and the accounts therein) and the Subordinate Reserve Fund, may be invested as directed by the Commission in Permitted Investments, subject to the restrictions set forth in the Subordinate Indenture and subject to restrictions imposed upon the Commission by the Act. The Commission's current investment policy provides that investments cannot exceed a maturity of four years, except for funds designated for the payment of post-retirement medical expenses, which have a 10-year maturity limit. See "FINANCIAL INFORMATION—Investment Policy."

Events of Default and Remedies; No Acceleration

Senior Events of Default under the Senior Indenture and related remedies are described in “APPENDIX C-2—SUMMARY OF THE MASTER SENIOR INDENTURE—Defaults and Remedies.” The occurrence of a Senior Event of Default does not grant any right to accelerate payment of the Senior Bonds (including the Senior Series 2016C Bonds) to either the Senior Trustee or the Holders of the Senior Parity Bonds. The Senior Trustee is authorized to take certain actions upon the occurrence of a Senior Event of Default, including proceedings to enforce the obligations of the Commission under the Senior Indenture. If there is a Senior Event of Default, payments, if any, on the Senior Bonds will be made after payments of Maintenance and Operation Expenses of the Airport System. Since Net Revenues are Revenues net of all amounts needed to pay Maintenance and Operation Expenses of the Airport System, and the Commission is not subject to involuntary bankruptcy proceedings, the Commission may be able to continue indefinitely collecting Revenues and applying them to the operation of the Airport System even if a Senior Event of Default has occurred and no payments are being made on the Senior Bonds.

Subordinate Events of Default under the Subordinate Indenture and related remedies are described in “APPENDIX C-4—SUMMARY OF THE MASTER SUBORDINATE INDENTURE—Defaults and Remedies.” The occurrence of a Subordinate Event of Default does not grant any right to accelerate payment of the Subordinate Obligations to either the Subordinate Trustee or the Holders of the Subordinate Obligations (including the Subordinate Series 2016D/E Bonds). The Subordinate Trustee is authorized to take certain actions upon the occurrence of a Subordinate Event of Default, including proceedings to enforce the obligations of the Commission under the Subordinate Indenture. If there is a Subordinate Event of Default, payments, if any, on the Subordinate Obligations will be made after payments of Maintenance and Operation Expenses of the Airport System and after the payment of debt service and reserve and repayment requirements on and relating to the Senior Parity Bonds. Since Subordinate Revenues are Revenues net of all amounts needed to pay Maintenance and Operation Expenses of the Airport System and debt service and reserve and repayment requirements on and relating to the Senior Parity Bonds, and the Commission is not subject to involuntary bankruptcy proceedings, the Commission may be able to continue indefinitely collecting Revenues and applying them to the operation of the Airport System and the payment of debt service and reserve and repayment requirements on and relating to the Senior Parity Bonds even if a Subordinate Event of Default has occurred and no payments are being made on the Subordinate Obligations.

OUTSTANDING OBLIGATIONS AND DEBT SERVICE SCHEDULE

Prior Senior Bonds

Pursuant to the Senior Indenture, the Commission has previously issued and, as of November 1, 2016, there was outstanding \$533,955,000 aggregate principal amount of its Prior Senior Bonds. The Prior Senior Bonds are secured by a pledge and lien on Net Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Flow of Funds.” The following table sets forth certain information about the Prior Senior Bonds as of November 1, 2016.

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TABLE 2
Metropolitan Airports Commission
Prior Senior Bonds
(as of November 1, 2016)

<u>Series</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding</u>	<u>Final Maturity Date</u>
2009A	\$ 23,075,000	\$ 11,795,000	1/1/2022
2009B	128,835,000	69,365,000	1/1/2022
2010A	62,210,000	62,210,000	1/1/2035
2010B	73,475,000	59,895,000	1/1/2028
2016A	<u>330,690,000</u>	<u>330,690,000</u>	1/1/2032
Total	<u>\$618,285,000</u>	<u>\$533,955,000</u>	

Source: Metropolitan Airports Commission.

As of the date of this Official Statement, the Commission has no General Obligation Revenue Bonds outstanding.

Subordinate Obligations

General. The Subordinate Obligations currently consist of the Prior Subordinate Bonds and the Subordinate Short-Term Obligations. The Subordinate Obligations are secured by a pledge and lien on Subordinate Revenues. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Flow of Funds.”

Prior Subordinate Bonds. Pursuant to the Subordinate Indenture, the Commission has previously issued and, as of November 1, 2016, there was outstanding \$563,335,000 aggregate principal amount of its Prior Subordinate Bonds. The following table sets forth certain information about the Prior Subordinate Bonds as of November 1, 2016.

TABLE 3
Metropolitan Airports Commission
Prior Subordinate Bonds
(as of November 1, 2016)

<u>Series</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding</u>	<u>Final Maturity Date</u>
2010C	\$ 21,600,000	\$ 5,085,000	1/1/2024
2010D	68,790,000	35,605,000	1/1/2024
2011A	52,015,000	47,870,000	1/1/2025
2012A	39,770,000	23,310,000	1/1/2020
2012B	42,015,000	42,015,000	1/1/2031
2014A	217,790,000	214,520,000	1/1/2035
2014B	46,590,000	42,740,000	1/1/2026
2016B	<u>152,190,000</u>	<u>152,190,000</u>	1/1/2024
Total	<u>\$640,760,000</u>	<u>\$563,335,000</u>	

Source: Metropolitan Airports Commission.

Subordinate Short-Term Obligations. Pursuant to the Master Subordinate Indenture, the Fourteenth Supplemental Subordinate Indenture and the Subordinate Short-Term Obligations Credit Agreement, the Commission is authorized to issue and have outstanding, from time to time, up to \$75,000,000 in aggregate principal amount of Subordinate Short-Term Obligations. As of November 1, 2016, the Commission had \$40,648,500 aggregate principal amount of Subordinate Short-Term Obligations outstanding. On January 1, 2017, the Commission expects to repay \$27 million of the Subordinate Short-Term Obligations with a portion of the proceeds of the Subordinate Series 2016D Bonds and certain other available moneys of the Commission. All Subordinate Short-Term Obligations issued by the Commission are purchased by the Subordinate Short-Term Obligations Bank (BMO Harris Bank N.A.) in accordance with the terms of the Subordinate Short-Term Obligations Credit Agreement. Except as otherwise provided in the Subordinate Short-Term Obligations Credit Agreement, the principal of all Subordinate Short-Term Obligations outstanding pursuant the Master Subordinate Indenture, the Fourteenth Supplemental Subordinate Indenture and the Subordinate Short-Term Obligations Credit Agreement are due and payable on November 3, 2017. However, subject to the terms of the Subordinate Short-Term Obligations Credit Agreement, on November 3, 2017, the Commission can convert any outstanding Subordinate Short-Term Obligations to a term loan that will be payable in twelve equal quarterly installments following November 3, 2017.

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Debt Service Requirements

The following table sets forth the debt service funding requirements for the Prior Senior Bonds, the Senior Series 2016C Bonds, the Prior Subordinate Bonds and the Subordinate Series 2016D/E Bonds.

TABLE 4
Metropolitan Airports Commission
Debt Service Requirements^{1,2}

Year Ended December 31	Prior Senior Bonds ³	Senior Series 2016C Bonds		Total Senior Bonds ⁵	Prior Subordinate Bonds ⁶	Subordinate Series 2016D Bonds		Subordinate Series 2016E Bonds		Total Subordinate Bonds ⁸	Total Senior and Subordinate Bonds
		Principal	Interest ⁴			Principal	Interest ⁷	Principal	Interest ⁷		
2016	\$ 60,378,000	\$ -	\$ -	\$ 60,378,000	\$ 60,348,134	\$ -	\$ -	\$ -	\$ -	\$ 60,348,134	\$ 120,726,134
2017	48,294,188	-	10,561,752	58,855,940	63,844,900	500,000	1,201,113	-	6,040,988	71,587,001	130,442,941
2018	44,333,275	3,650,000	10,248,600	58,231,875	61,177,893	555,000	1,145,500	8,595,000	5,861,875	77,335,268	135,567,143
2019	44,324,425	3,795,000	10,102,600	58,222,025	61,175,289	580,000	1,117,750	8,740,000	5,714,041	77,327,080	135,549,105
2020	44,317,675	3,945,000	9,950,800	58,213,475	54,988,300	610,000	1,088,750	8,920,000	5,534,871	71,141,921	129,355,396
2021	30,590,425	4,105,000	9,793,000	44,488,425	68,742,300	640,000	1,058,250	9,135,000	5,321,505	84,897,055	129,385,480
2022	26,351,719	4,310,000	9,587,750	40,249,469	73,324,538	670,000	1,026,250	9,365,000	5,089,293	89,475,081	129,724,550
2023	26,355,219	4,525,000	9,372,250	40,252,469	73,333,613	705,000	992,750	9,640,000	4,818,363	89,489,726	129,742,195
2024	67,614,969	4,750,000	9,146,000	81,510,969	33,213,000	740,000	957,500	9,935,000	4,520,198	49,365,698	130,876,667
2025	67,620,469	4,990,000	8,908,500	81,518,969	31,783,000	780,000	920,500	10,265,000	4,192,741	47,941,241	129,460,210
2026	67,620,719	5,235,000	8,659,000	81,514,719	33,045,250	815,000	881,500	10,610,000	3,844,141	49,195,891	130,710,610
2027	67,617,969	5,500,000	8,397,250	81,515,219	33,046,000	860,000	840,750	10,990,000	3,467,911	49,204,661	130,719,880
2028	67,611,769	5,775,000	8,122,250	81,509,019	33,172,500	900,000	797,500	11,400,000	3,056,225	49,326,475	130,835,494
2029	67,609,819	6,065,000	7,833,500	81,508,319	33,180,500	945,000	752,750	11,835,000	2,623,481	49,336,731	130,845,050
2030	45,601,000	6,365,000	7,530,250	59,496,250	33,167,500	995,000	705,500	12,295,000	2,162,390	49,325,390	108,821,640
2031	28,260,000	6,685,000	7,212,000	42,157,000	24,826,250	1,045,000	655,750	12,785,000	1,671,081	40,983,081	83,140,081
2032	9,943,750	7,020,000	6,877,750	23,841,500	12,444,750	1,095,000	603,500	13,310,000	1,147,408	28,600,658	52,442,158
2033	9,939,250	7,370,000	6,526,750	23,836,000	12,447,250	1,150,000	548,750	13,870,000	588,920	28,604,920	52,440,920
2034	9,943,500	7,740,000	6,158,250	23,841,750	12,447,750	1,205,000	491,250	-	-	14,144,000	37,985,750
2035	-	8,125,000	5,771,250	13,896,250	-	1,270,000	431,000	-	-	1,701,000	15,597,250
2036	-	8,530,000	5,365,000	13,895,000	-	1,330,000	367,500	-	-	1,697,500	15,592,500
2037	-	8,955,000	4,938,500	13,893,500	-	1,395,000	301,000	-	-	1,696,000	15,589,500
2038	-	9,405,000	4,490,750	13,895,750	-	1,465,000	231,250	-	-	1,696,250	15,592,000
2039	-	9,875,000	4,020,500	13,895,500	-	1,540,000	158,000	-	-	1,698,000	15,593,500
2040	-	10,370,000	3,526,750	13,896,750	-	1,620,000	81,000	-	-	1,701,000	15,597,750
2041	-	10,890,000	3,008,250	13,898,250	-	-	-	-	-	-	13,898,250
2042	-	11,430,000	2,463,750	13,893,750	-	-	-	-	-	-	13,893,750
2043	-	12,005,000	1,892,250	13,897,250	-	-	-	-	-	-	13,897,250
2044	-	12,605,000	1,292,000	13,897,000	-	-	-	-	-	-	13,897,000
2045	-	13,235,000	661,750	13,896,750	-	-	-	-	-	-	13,896,750
Total	<u>\$834,328,138</u>	<u>\$207,250,000</u>	<u>\$192,419,002</u>	<u>\$1,233,997,142</u>	<u>\$809,708,715</u>	<u>\$23,410,000</u>	<u>\$17,355,613</u>	<u>\$171,690,000</u>	<u>\$65,655,431</u>	<u>\$1,087,819,762</u>	<u>\$2,321,816,904</u>

¹ Numbers may not total due to rounding to nearest dollar.

² Represents the Commission's debt service funding requirements for each Fiscal Year.

³ Includes debt service on the Prior Senior Bonds.

⁴ Includes interest to be paid with a portion of the proceeds of the Senior Series 2016C Bonds through July 1, 2018.

⁵ The Prior Senior Bonds and the Senior Series 2016C Bonds have a parity lien on Net Revenues.

⁶ Includes debt service on the Prior Subordinate Bonds. Debt Service on the Subordinate Short-Term Obligations (which may be Outstanding from time to time up to \$75 million aggregate principal amount) is not reflected in the table. As of November 1, 2016, \$40,648,000 aggregate principal amount of Subordinate Short-Term Obligations were Outstanding. On January 1, 2017, the Commission expects to repay \$27 million of the Subordinate Short-Term Obligations with a portion of the proceeds of the Subordinate Series 2016D Bonds and certain other available moneys of the Commission.

⁷ Includes interest to be paid through July 1, 2018 with \$8,971,925 of previously collected Customer Facility Charges.

⁸ The Prior Subordinate Bonds, the Subordinate Short-Term Obligations and the Subordinate Series 2016D/E Bonds have a parity lien on Subordinate Revenues.

Source: Metropolitan Airports Commission and Jefferies LLC.

Historical Debt Service Coverage

The following table sets forth the historical debt service coverage for Fiscal Years 2011 through 2015 on the Senior Bonds, the previously outstanding General Obligation Revenue Bonds, the Subordinate Bonds, the Subordinate Short-Term Obligations (Fiscal Years 2012 through 2015) and the previously outstanding subordinate commercial paper notes (Fiscal Year 2011).

TABLE 5
Metropolitan Airports Commission
Historical Debt Service Coverage
(Dollars in Thousands)

Fiscal Year	Revenues¹ [a]	Maintenance and Operation Expenses of the Airport System¹ [b]	Net Revenues¹ [c]=[a]-[b]	Debt Service Requirement for Senior Parity Bonds^{1,2} [d]	Senior Debt Service Coverage^{3,4} [c]/[d]	Debt Service Requirement for Subordinate Obligations^{5,6} [e]	Total Debt Service Coverage^{7,4} [c]/([d]+[e])
2011	\$295,922	\$136,302	\$159,620	\$71,368	224%	\$32,175	154%
2012	281,288	136,592	144,696	46,850 ⁸	309	41,439	164
2013	300,635	146,878	153,757	51,228	300	40,624	167
2014	314,563	154,096	160,467	50,413	318	47,480	164
2015	322,101	158,170	163,931	48,084	341	50,599	166

¹ Calculated per the terms of the Master Senior Indenture.

² Includes Senior Annual Debt Service on the Senior Bonds and the General Obligation Revenue Bonds outstanding during the respective Fiscal Years. Excludes Senior Annual Debt Service on the Senior Bonds paid with PFCs. The Commission applied \$11.5 million, \$11.5 million, \$11 million, \$9.6 million and \$11.8 million of PFCs to the payment of Senior Annual Debt Service on the Senior Bonds during Fiscal Years 2011, 2012, 2013, 2014 and 2015, respectively. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Use of PFCs to Pay Debt Service."

³ Equals the debt service coverage on the Senior Bonds and the General Obligation Revenue Bonds outstanding during the respective Fiscal Years. Senior Debt Service Coverage is not being provided to show compliance with the provisions of the rate covenant set forth in the Master Senior Indenture and as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Senior Bonds—Senior Rate Covenant."

⁴ Does not include Transfer.

⁵ Calculated per the terms of the Master Subordinate Indenture.

⁶ Includes Subordinate Annual Debt Service on the Subordinate Bonds, the Subordinate Short-Term Obligations (which were initially issued on April 4, 2012) and the previously outstanding subordinate commercial paper notes (which were paid on April 4, 2012) outstanding during the respective Fiscal Years. Excludes Subordinate Annual Debt Service on the Subordinate Bonds paid with PFCs. The Commission applied \$15.7 million, \$16.8 million, \$16.5 million, \$16.2 million and \$16.3 million of PFCs to the payment of Subordinate Annual Debt Service on the Subordinate Bonds during Fiscal Years 2011, 2012, 2013, 2014 and 2015, respectively. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Use of PFCs to Pay Debt Service."

⁷ Equals the debt service coverage on the Senior Bonds, the General Obligation Revenue Bonds, the Subordinate Bonds, the Subordinate Short-Term Obligations and the subordinate commercial paper notes outstanding during the respective Fiscal Years. Total Debt Service Coverage is not being provided to show compliance with the provisions of the rate covenants set forth in the Master Senior Indenture and the Master Subordinate Indenture. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Senior Bonds—Senior Rate Covenant" and "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Subordinate Obligations—Subordinate Rate Covenant."

⁸ On October 26, 2011, Delta prepaid all of the lease payments due under certain lease agreements (the "Series 15 Lease Agreements") entered into by the Commission and Delta (as successor to Northwest Airlines) with respect to certain land, buildings and equipment. The prepaid lease payments were used by the Commission on January 1, 2012 to redeem all of its outstanding Taxable General Obligation Revenue Refunding Bonds, Series 15 (the "Series 15 General Obligation Revenue Bonds"). The lease payments made by Delta under the Series 15 Lease Agreements accounted for approximately \$25.7 million of Revenues in 2011. The debt service requirements on the Series 15 General Obligation Revenues Bonds were approximately \$25 million in 2011.

Source: Metropolitan Airports Commission.

The definitions of Senior Aggregate Annual Debt Service and Subordinate Aggregate Annual Debt Service provide that, if PFCs have been irrevocably committed or are held by the Senior Trustee or the Subordinate Trustee or another fiduciary, as applicable, and are to be set aside exclusively to be used to pay principal of and/or interest on the Senior Bonds or the Subordinate Obligations, as applicable, then such principal and/or interest may be excluded from the calculation of Senior Aggregate Annual Debt Service and Subordinate Aggregate Annual Debt Service, as applicable; thus decreasing Senior Aggregate Annual Debt Service and Subordinate Aggregate Annual Debt Service, as applicable, and increasing debt

service coverage for purposes of the rate covenants and the additional bonds tests under the Master Senior Indenture and the Master Subordinate Indenture. Pursuant to the PFC Resolution, the Commission irrevocably committed approximately \$9.3 million of PFCs to the payment of debt service on PFC Eligible Bonds in each Fiscal Year between Fiscal Years 2016 and 2030. While there is no assurance that the Commission will continue to do so in the future, in addition to the PFCs irrevocably committed to pay debt service on PFC Eligible Bonds, the Commission has applied other PFCs to the payment of debt service on PFC Eligible Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Use of PFCs to Pay Debt Service.” See also “AGREEMENTS WITH AIRLINES AND OTHER CONCESSIONAIRES—Airline Lease Agreements” for additional information regarding certain agreements the Commission has made with respect to the use of PFCs.

Senior and Subordinate Repayment Obligations

Under certain circumstances, the obligation of the Commission, pursuant to a written agreement, to reimburse the provider of a Credit Facility or a Liquidity Facility (a “Repayment Obligation”) may be secured by a pledge of and lien on Net Revenues on parity with the Senior Bonds (including the Senior Series 2016C Bonds) or secured by a pledge of and lien on the Subordinate Revenues on parity with the Subordinate Obligations (including the Subordinate Series 2016D/E Bonds). If a Credit Provider or Liquidity Provider advances funds to pay principal of or purchase Senior Bonds, all or a portion of the Commission’s Senior Repayment Obligation may be afforded the status of a Senior Bond under the Senior Indenture. If a Credit Provider or Liquidity Provider advances funds to pay principal of or purchase Subordinate Obligations, all or a portion of the Commission’s Subordinate Repayment Obligation may be afforded the status of a Subordinate Obligation under the Subordinate Indenture. The Commission currently does not have any Senior Repayment Obligations or Subordinate Repayment Obligations outstanding. See “APPENDIX C-2—SUMMARY OF THE MASTER SENIOR INDENTURE—Senior Repayment Obligations Afforded Status of Senior Bonds” and “APPENDIX C-4—SUMMARY OF THE MASTER SUBORDINATE INDENTURE—Subordinate Repayment Obligations Afforded Status of Subordinate Obligations.”

Special Facility Obligations

The Commission may designate an existing facility or a planned facility as a “Special Facility” and may incur indebtedness in order to acquire, construct, renovate or improve such facility or to finance the acquisition, construction, renovation or improvement thereof by a third party. Additionally, the Commission may provide that certain contractual payments derived from or related to such Special Facility, together with other income and revenues available therefrom, will constitute “Special Facilities Revenue” and will not be included as Revenues, Net Revenues or Subordinate Revenues. Such indebtedness will constitute a “Special Facility Obligation” and will be payable solely from the Special Facilities Revenue. When Special Facility Obligations issued for a Special Facility are fully paid or otherwise discharged, all revenues received by the Commission from such facility will be included as Revenues. Special Facility Revenues that exceed the amount required to pay the principal of and interest on Special Facility Obligations when due, unless otherwise encumbered, may constitute Revenues as determined by the Commission. The Commission does not currently have any outstanding Special Facility Obligations. See “APPENDIX C-2—SUMMARY OF THE MASTER SENIOR INDENTURE—Special Facilities and Special Facility Obligations.”

Additional Senior Bonds and/or Subordinate Obligations

The 2018-22 CIP (which include projects, the construction of which will occur and/or begin during calendar years 2018 through 2022) contemplates the issuance of Additional Senior Bonds and/or Additional Subordinate Obligations in the approximate principal amounts of \$210 million in 2019 and

\$156 million in 2021. See “CAPITAL IMPROVEMENT PROGRAM” for additional information on the Commission’s current capital improvement program. Additionally, the Commission continuously evaluates refunding opportunities and may refund one or more series of its Senior Bonds or Subordinate Obligations in the future.

THE COMMISSION

General

The Commission was created by an act of the Minnesota State Legislature in 1943 as a public corporation. Its purpose is to promote air navigation and transportation (international, national and local) in and through the State of Minnesota, promote the efficient, safe and economic handling of air commerce, assure the inclusion of the State in national and international programs of air transportation, and to those ends, develop the full potentialities of the Metropolitan Area as an aviation center. The Commission exercises its jurisdiction over any place within 35 miles of the city hall of the City of Minneapolis or the city hall of the City of St. Paul and over the Metropolitan Area. It has the responsibility to assure residents of the Metropolitan Area of the minimal environmental impact from air navigation and transportation, promote the overall goals of the State’s environmental policies and minimize the public’s exposure to noise and safety hazards around airports.

The Commission may, under the Act, borrow money and issue bonds for the purpose of acquiring property, constructing and equipping new airports, acquiring existing airports, equipping, improving and making additions to such existing airports and making capital improvements to any airport constructed or acquired by the Commission. The Commission may contract with any person for the use by such person of any properties or facilities under the control of the Commission for purposes which will further the interests of aeronautics in the State, including, but not limited to, the right to lease any such properties or facilities, or any part thereof, to any person, the national government, or any foreign government, or any department of either, or to the State or any municipality. Other powers delegated to the Commission include the power to levy taxes against property in the Metropolitan Area required to pay debt service on any General Obligation Revenue Bonds issued by the Commission, to the extent debt service is not paid from Net Revenues, and to levy taxes not in excess of 0.00806% in each year upon the taxable market value of all property in the Metropolitan Area to pay costs of operation and maintenance of airport facilities. As of the date of this Official Statement, the Commission does not have any General Obligation Revenue Bonds outstanding, and the Commission does not currently levy taxes to pay Maintenance and Operation Expenses of the Airport System.

Certain capital projects of the Commission at the Airport requiring the expenditure of more than \$5,000,000, and other projects at the Reliever Airports requiring an expenditure of \$2,000,000, are required by law to be submitted for approval to the Metropolitan Council, a public agency established by law with powers of regulation over the development of the Metropolitan Area.

The Airport System

General. The Commission owns and operates seven airports within the Metropolitan Area including the Airport and the six Reliever Airports, which are used mainly for general aviation.

Minneapolis-St. Paul Airport. The Airport has been designated as the major scheduled passenger airport for the Metropolitan Area, located south and equidistant from the downtown areas of Minneapolis and St. Paul. See “MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT” for further discussion of the Airport.

Reliever Airports. In addition to the Airport, the Commission owns and operates the six Reliever Airports which mainly serve general aviation and constitute part of the Airport System. The six Reliever Airports include St. Paul Downtown Airport, Flying Cloud Airport, Crystal Airport, Anoka County/Blaine Airport, Lake Elmo Airport and Airlake Airport. The facilities at Airlake, Anoka County/Blaine, Crystal and Lake Elmo function as general aviation airports and are also used for pilot and flight training. In addition, a control tower is operational at Crystal Airport and Anoka County/Blaine. Flying Cloud Airport functions as a general aviation field and is also served by a control tower operated by the FAA. The St. Paul Downtown Airport serves as a corporate reliever and an all-purpose general aviation field and is served by an FAA control tower.

Revenues from the Airport are used to cover certain shortfalls incurred by the Reliever Airports. However, in 2007, the Commission revised the Reliever Airport rental rate ordinance with the long-term goal to make the Reliever Airports as financially self-sustaining as possible. As a result of the revision of the Reliever Airport rental rate ordinance and certain agreements made with the Signatory Airlines, beginning with calendar year 2006, the Commission's annual subsidy from Airport revenues to the Reliever Airports is limited to \$300,000 per year, escalated annually by 3% (\$403,175 in 2016 dollars). However, there can be no assurance that unanticipated events will not occur with respect to one or more of the Reliever Airports which would require a substantial transfer of Revenues to such airports. In Fiscal Years 2014 and 2015, the Reliever Airports had a combined net operating loss (including depreciation and interest for projects financed at the Reliever Airports) of \$2,337,491 and \$2,812,275, respectively.

Organization of the Commission

Commissioners. The Commission is governed by 15 Commissioners, 12 of whom are appointed by the Governor of the State of Minnesota (the "Governor") for four-year terms and one of whom is appointed by the Governor as chair of the Commission and serves at the pleasure of the Governor. The remaining two Commissioners are the mayors of St. Paul and Minneapolis, or their designees, who serve a term equal to the term of office of such mayor. Of the 12 Commissioners that are appointed by the Governor for terms of four years, eight are appointed from designated districts within the Metropolitan Area and four are appointed from outside of the Metropolitan Area. From time to time, there have been bills introduced in the Minnesota State Legislature that proposed changes to the membership of the Commission. To date, none of these bills has been passed by the Minnesota State Legislature and signed by the Governor; however, the Commission cannot predict if additional bills will be introduced in the future to change the membership of the Commission or, if introduced and ultimately adopted by the Minnesota State Legislature and signed by the Governor, what effect, if any, such changes might have on the Commission.

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The present Commissioners, their occupations and term expirations dates are set forth in the following table:

TABLE 6
Metropolitan Airports Commission
Commissioners

<u>Name</u>	<u>Position</u>	<u>Occupation</u>	<u>Term Expires</u>
Daniel Boivin	Chair	Executive, Energy Management Collaborative	N/A ¹
Steve Cramer	Commissioner	President and CEO, Minneapolis Downtown Council and Downtown Improvement District	January 2017
Carl Crimmins	Commissioner	Retired; Current President of Minnesota Pipes Trades Association	January 2019
James Deal	Commissioner	Retired; Former Owner and Chairman of the Board of NAU	January 2017
Patti Gartland	Commissioner	President, Greater St. Cloud Development Corporation	January 2018
James Hamilton	Commissioner	Retired; Former Attorney, Hamilton, Quigley & Twait	January 2017
Pat Harris ²	Commissioner	Senior Vice President, Government Banking, BMO Harris Bank	Term of Office
Dixie Hoard	Commissioner	Realtor; Retired Flight Attendant	January 2019
Rick King	Commissioner	Executive Vice President & Chief Information Officer, Thomson Reuters	January 2019
Michael Madigan	Commissioner	Attorney and Managing Partner, Madigan, Dahl & Harlan	January 2019
Ibrahim Mohamed	Commissioner	Driver, Air Serv	January 2019
Donald Monaco	Commissioner	Owner, Monaco Air Duluth, LLC	January 2017
Lisa Peilen	Commissioner	Retired; Former Director, Minnesota Multi-Housing Association	January 2017
Erica Prosser ³	Commissioner	Policy Aide, City of Minneapolis	Term of Office
Randy Schubring	Commissioner	Director, State Govt. Relations & Policy Development, Mayo Clinic	January 2020

¹ Serves at the pleasure of the Governor of the State of Minnesota.

² Representative of the Mayor of the City of St. Paul. Term expires when the Mayor's term in office expires.

³ Representative of the Mayor of the City of Minneapolis. Term expires when the Mayor's term in office expires.

Administration. Management and operation of the Commission are accomplished by the Executive Director/Chief Executive Officer through his staff. The Commission is organized into four divisions which include Executive, Finance and Administration, Planning, Development and

Environment, and Management and Operations. The following table sets forth the responsibilities of the four divisions.

TABLE 7
Metropolitan Airports Commission
Organization

Division	Responsibilities
Executive Division	Commercial Management and Airline Affairs, Human Resources and Labor Relations, Internal Audit, Legal Affairs, Governmental Affairs, Public Affairs, Marketing and Information Technology
Finance and Administration Division	Finance, Purchasing and Risk/Insurance/Safety
Planning, Development and Environmental Division	Airport Development and Environment
Management and Operations Division	MSP Airport Operations, Fire, Police, and Reliever Airports

Chair and Administrative Staff.

Daniel Boivin, Chair. Governor Dayton appointed Mr. Boivin to serve as Chair of the Commission in February 2011 and reappointed him in 2015. Prior to this, he served as the Mayor of Minneapolis’ appointee to the Commission beginning in May 2002. As a Commissioner, Mr. Boivin chaired the Human Resources and Affirmative Action Committee. In addition to serving as Chair of the Commission, he is an executive with Energy Management Collaborative, a national turnkey lighting solutions provider specializing in energy audits, lighting retrofits and maintenance services. Mr. Boivin served from 2008 to 2015 as the Executive Vice-President, Chief Legal Officer and General Counsel for SeeChange Health, a value-based health insurance and technology company. Previously, he served as attorney and partner with the Meshbeshier & Spence law firm. Mr. Boivin served as the chair of the Minnesota Bar Association Civil Litigation Section, and has provided pro bono legal representation and acted as a volunteer judge for the Minnesota State High School Mock Trial Tournament. He is a graduate of the University of Wisconsin-Madison and Hamline Law School.

Brian D. Ryks, Executive Director/Chief Executive Officer. Mr. Ryks was appointed Executive Director/Chief Executive Officer of the Commission in May 2016. Prior to this appointment, he was the Executive Director/CEO of the Gerald R. Ford International Airport in Grand Rapids, Michigan. Between 2002 and 2012, Mr. Ryks was the Executive Director at the Duluth Airport Authority overseeing the Duluth International Airport and Sky Harbor Airport, a general aviation airport, both located in Duluth, Minnesota. During his ten years in Duluth, he oversaw the completion of \$135 million in airport improvements, culminating with a \$77 million new terminal project. Prior to arriving in Duluth, Mr. Ryks was employed for five years as the Airport Manager at St. Cloud Regional Airport (1997-2002) and two years as the Airport Manager in Aberdeen, South Dakota (1996-1997). Mr. Ryks spent six years in Denver as the Manager of Noise Abatement at Stapleton and Denver International Airports (1990-1996). He also was the Project Manager for the development and installation of an Airport Noise and Operations Monitoring System at the Denver International Airport. He began his career as a Noise Technician at the Commission in 1986. Mr. Ryks holds a Bachelor of Arts degree from St. Cloud State University, is a licensed pilot with an instrument rating and is also an Accredited Airport Executive with the American Association of Airport Executives (“AAAE”). He currently serves on the Board of Directors for Airports Council International (“ACI”). He also holds a professional affiliation with the Great Lakes Chapter of AA AE (“GL-AAAE”) and is Past President of GL-AAAE.

Dennis Probst, Executive Vice President/Chief Operating Officer. Mr. Probst was appointed Executive Vice President/Chief Operating Officer in July 2012. He previously served as Deputy Executive Director, Planning and Environment, beginning in January 2008. Prior to that position, he served as Building Construction Manager of the Commission and was promoted to Director of Landside Development of the Commission in January, 1999. Mr. Probst received a Bachelor of Science in Civil Engineering, a Bachelor of Arts Architecture Degree and a Master of Architecture Degree from Iowa State University. He was previously employed with AECOM as Vice President and was employed with BRW for 14 years as an Architect and Project Manager, Office Manager and Vice President. Mr. Probst served as Mayor of the City of Arden Hills from 1994–2002 and was President of the I-35W Corridor Coalition from 1998–2002. He served as Chairman of the Central Corridor Coordinating Committee. As a member of the American Institute of Architects, Mr. Probst served as Minneapolis Chapter President as well as a Board Member of the Minnesota Society American Institute of Architects.

Stephen L. Busch, Vice President, Finance and Administration/Treasurer. Mr. Busch was appointed Vice President, Finance and Administration in June 2008. He also serves as Treasurer of the Commission. Prior to his current appointment he served as Director of Finance of the Commission for 12 years. Mr. Busch has worked for the Commission since 1981. He received his Bachelor of Science degree from St. Johns University and holds a Masters of Business Administration degree from the University of St. Thomas. Prior to his employment with the Commission, he worked for three years at Control Data Corporation and Emmer Distribution Centers, a lumber wholesaler, for one year. In addition, he is a member of the Government Finance Officers Association and is involved with ACI Economic Committee and ACI CFO Committee issues.

Roy R. Fuhrmann, Vice President, Management and Operations. Mr. Fuhrmann was appointed Vice President, Management and Operations in August 2012. He is responsible for safety, security, fire and police protection, daily maintenance and operations, customer service and emergency response at the Airport and the Reliever Airports. Prior to his current appointment, Mr. Fuhrmann served as the Director of Environment for 11 years and has worked at the Commission at various organizational levels since 1991. Mr. Fuhrmann holds a Bachelor of Arts degree in Airport Administration from the University of North Dakota. He also served for over 22 years in the military in a number of aviation staff and flying positions during multiple deployments. Mr. Fuhrmann is a member of ACI's Operation and Technical Affairs Committee and previously served as the Chair of the Environmental Affairs Committee.

Gary G. Warren, Vice President, Planning, Development and Environment. Mr. Warren was appointed Vice President, Planning, Development and Environment in February 2013. Prior to this appointment, he served as Director of Airport Development since January 1999. Mr. Warren has worked for the Commission since 1990. Prior to joining the Commission, he was City Engineer and Public Works Director for the City of Chanhassen, spent 15 years in the private sector as an engineering consultant and was a field engineer supervising construction of a 40-story high-rise in downtown Boston (One Beacon St). Mr. Warren received his Bachelor of Science – Civil Engineering from the University of Wisconsin-Madison and has a Master of Science in Civil Engineering from Marquette University. He is a registered Professional Engineer in Minnesota, has presented at National and International conferences throughout his career. Mr. Warren also served on a research panel for the Airport Cooperative Research Program on runway arresting bed technology and has been a guest lecturer for many years at Michigan Tech University.

Eduardo Valencia, Vice President, Chief Information Officer. Mr. Valencia was appointed Vice President and Chief Information Officer in June 2016. He is responsible for overseeing the Commission's Information Technology Division. Mr. Valencia previously held positions with the State of Minnesota's Office of Enterprise Technology, where he started in 2008 as the State's Chief Technology Officer. In 2011, he was appointed deputy commissioner of the Minnesota Information

Technology organization (MN.IT). Prior to his role at MN.IT, Mr. Valencia served as chief information officer for the Minnesota Department of Employment and Economic Development, where he led the implementation of projects such as the unemployment insurance integrated technology initiative, the Minnesota Works premier job bank rebuild, and the development of cross-agency, cross-public sector customer relationship management solutions for economic and labor development purposes. Mr. Valencia holds a B.A. in economics and Spanish from the University of North Dakota and a masters in Management of Technology from the University of Minnesota.

Thomas W. Anderson, General Counsel. Mr. Anderson has been employed as the Commission's chief legal officer since December 1979. He obtained a Bachelor's degree in Mathematics and Law degree from the University of Minnesota. He has served as Chair of the ACI-North America Legal Committee, Chair of the Transportation Law Committee of the American Bar Association Section of Urban, State and Local Government Law, President of the Corporate Counsel Association of Minnesota, as a member of the Minnesota State Bar Association Board of Governors and as a member of the Minnesota Secretary of State's Corporate Advisory Council. He is currently serving as a member of the Airport Foundation MSP.

Robert C. Schauer, Director of Finance. Mr. Schauer was appointed Director of Finance in August 2008. Prior to his current appointment, he served as Assistant Director of Finance and Manager of Accounting and Finance of the Commission for 20 years. Mr. Schauer has worked for the Commission since 1983. He received his Bachelor of Arts degree and Masters of Business Administration degree from the University of St. Thomas. Mr. Schauer is a Certified Public Accountant and Certified Treasury Professional. Prior to his employment with the Commission, he worked for St. Joseph's Hospital in St. Paul, Minnesota. In addition, he is a member of the Government Finance Officers Association and the Association for Finance Professionals.

Employees. As of July 1, 2016, approximately 597 full-time employees, including maintenance personnel, police officers, firefighters, clerical and professional persons, were employed by the Commission. Commission management believes its relationship with the employees is satisfactory. Certain employees of the Commission are unionized. The number of employees of the Commission represented by unions, the representative union and the date of expiration of respective union contracts are set forth in the following table.

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TABLE 8
Metropolitan Airports Commission
Union Representation of Employees

Union	Number of Employees	Expiration Date of Union Contracts ¹
International Association of Fire Fighters, Local S-6 (representing fire fighters)	35	December 31, 2016
International Association of Fire Fighters, Local S-6 (representing fire captains)	9	December 31, 2016
International Brotherhood of Electrical Workers, Local 292	17	April 30, 2017
International Union of Operating Engineers, Local 49	20	December 31, 2016
International Union of Operating Engineers, Local 70	18	December 31, 2016
Lakes & Plains Regional Council of Carpenters	10	April 30, 2017
Law Enforcement Labor Services, Local 302 (Police Officers)	60	December 31, 2016
Law Enforcement Labor Services, Local 307 (Police Supervisors)	17	December 31, 2016
Minnesota Teamsters Public and Law Enforcement Employees Union, Local 320	91	June 30, 2017
Painter's and Allied Trades, Local 386	9	April 30, 2017
United Association Plumbers, Local 34	10	April 30, 2017
Law Enforcement Labor Services, Local 358	<u>13</u>	December 31, 2016
Total	309	

¹ Contracts that expire on December 31, 2016 are currently being renegotiated.
Source: Metropolitan Airports Commission.

MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT

General

The Airport was opened in 1927 as Wold-Chamberlain Field, and was operated by the Minneapolis Park Board until 1943, when it was transferred by State law to the Commission. In 1946, the Commission designated the field as the primary Air Carrier airport for the Metropolitan Area and renamed the Airport the Minneapolis-St. Paul International Airport-Wold-Chamberlain Field.

The Airport is primarily located within Hennepin County which is within the Minneapolis-St. Paul-Bloomington Metropolitan Statistical Area (the "MSA"). The MSA is composed of 16 counties located in the east-central region of the State and the western portion of Wisconsin. The Minnesota counties include Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Le Sueur, Mille Lacs, Ramsey, Scott, Sherburne, Sibley, Washington and Wright; and the Wisconsin counties include Pierce and St. Croix. The population of the MSA for 2015 was estimated by the U.S. Department of Commerce to be 3,524,583. See "APPENDIX A—REPORT OF AIRPORT CONSULTANT" for further discussion of the MSA.

Current Airport Facilities

Runways. The Airport maintains four air-transport-type runways, including two parallel northwest-southeast runways, one north-south runway and one northeast-southwest cross-wind runway. The runways provide operational facilities to cover varying wind conditions and are connected by a system of taxiways and aprons. In addition, all eight of the runway approach directions are equipped with high-intensity runway lighting and instrument landing systems which permit continuous operation under

almost all weather conditions. The northerly northwest-southeast runway (Runway 12L/30R) is 8,200 feet long and 150 feet wide. The parallel northwest-southeast runway (Runway 12R/30L) is 10,000 feet long and 200 feet wide. The north-south runway (Runway 17/35) is 8,000 feet long and 150 feet wide. The northeast-southwest runway (Runway 4/22), which is provided to cover other wind conditions, is 11,000 feet long and 150 feet wide. The runways, in the opinion of the Commission's engineers, have sufficient capacity and are of sufficient strength to permit the operation of the largest existing commercial aircraft. The boundaries of the Airport provide sufficient clear area for runway approaches to meet the requirements of the FAA. However, see "CERTAIN INVESTMENT CONSIDERATIONS—Regulations and Restrictions Affecting the Airport—Restrictions on Use of Runway 17/35."

Terminal Facilities. Passenger terminal facilities at the Airport are located in two separate buildings: Terminal 1-Lindbergh and Terminal 2-Humphrey. International arrivals facilities ("IAF") at the Airport are located in both of the passenger terminal facilities. Terminal 1-Lindbergh and Terminal 2-Humphrey are connected by the light rail system that runs between downtown Minneapolis and the Mall of America (the "Light Rail System"). The Light Rail System includes stations at Terminal 1-Lindbergh and Terminal 2-Humphrey. Passengers are allowed to ride the Light Rail System between Terminal 1-Lindbergh and Terminal 2-Humphrey free of charge. During peak traffic times during the year, a shuttle bus also provides transportation between Terminal 1-Lindbergh and Terminal 2-Humphrey, which are approximately 3.5 miles apart.

Terminal 1-Lindbergh is a three level structure consisting of approximately 2.8 million square feet of space, of which approximately 1.3 million square feet are considered rentable. Terminal 1-Lindbergh currently consists of one terminal (the "Main Building") and seven concourses designated as the A, B, C, D, E, F and G Concourses. Terminal 1-Lindbergh also includes the principal IAF; the ground transportation center; and a valet parking garage, which is located beneath the terminal. The seven concourses, which extend from the Main Building, provide a total of 103 aircraft loading positions. These aircraft loading positions consist of passenger loading bridges and immediately adjacent ramp areas which are utilized by regional airline aircraft that may or may not utilize the passenger loading bridges. Concourses A and B are comprised of 11 and 8 gates, respectively, and are leased to Delta which utilizes them for regional airline operations. Additionally, a hold room on Concourse B accommodates three hard stand positions.

Within Terminal 1-Lindbergh are ticketing facilities on the second level in the Main Building; security checkpoint locations on the second level in the Main Building and at the entrance to the G Concourse from the parking garage skyway; passenger boarding facilities on the second level in each of the seven concourses; baggage claim and the international arrivals waiting area on the ground or first level; and the ground transportation center, which contains covered space for shuttle and taxi pickup on the ground level. Concessions are located throughout Terminal 1-Lindbergh, the majority of which are located past the security checkpoints. A coffee shop is located outside of the secure areas of Terminal 1-Lindbergh and is available to all visitors to the Airport, ticketed passengers and non-ticketed passengers.

The majority of international arrivals and departures at the Airport are conducted from the IAF on the G Concourse. The facility contains dual-purpose domestic-international gates that provide ten aircraft loading positions (at nine gates) with international arrival capability. The total processing capacity of this IAF is estimated to be approximately 800 passengers per hour.

Terminal 2-Humphrey is a three-story structure consisting of approximately 639,000 square feet of space and 14 gates. Four of the 14 gates consist of international arrival facility gates. The Commission has designated Terminal 2-Humphrey as a common use facility. The two main Air Carriers operating out of Terminal 2-Humphrey are Southwest and Sun Country. Southwest and Sun Country

operate primarily from four and six gates, respectively. Currently, due to demand, Southwest and Sun Country also are using, on a common use basis, the four other gates in Terminal 2-Humphrey.

Parking Facilities. The parking facilities located at the Airport currently provide approximately 23,425 public parking spaces. The on-Airport parking options include a valet garage, short-term and long-term parking located adjacent to and below Terminal 1-Lindbergh, a “Quick Ride” parking ramp located approximately one mile from Terminal 1-Lindbergh, and short-term and long-term parking located adjacent to Terminal 2-Humphrey.

The public parking facilities located adjacent to and below Terminal 1-Lindbergh contain 13,453 public parking spaces. The valet garage located beneath Terminal 1-Lindbergh provides 389 parking spaces, with the remaining 13,064 parking spaces contained in two seven-level parking garages and two nine-level parking garages that are connected to Terminal 1-Lindbergh and the G Concourse via an enclosed skyway and a surface parking lot located adjacent to the parking garages. The parking garages also can be accessed via the ground transportation center. Thirty percent of the two nine-level parking garages are utilized by the ten on-Airport rental car brands and the remaining 70% is utilized for public parking. See “PLAN OF FINANCE” and “CAPITAL IMPROVEMENT PROGRAM” for information regarding the construction of the New Parking Garage, which will contain approximately 3,300 public parking spaces. Upon completion of the New Parking Garage, the rental car companies will move most of their operations to the New Parking Garage which will free-up approximately 1,700 parking spaces in the other parking garages at Terminal 1-Lindbergh that will be used for public parking.

The “Quick Ride” parking ramp was opened in March 2015 with 1,302 spaces and located approximately one mile from Terminal 1-Lindbergh on Northwest Drive. The facility is mainly used as an overflow parking garage for the parking facilities located adjacent to and below Terminal 1-Lindbergh during peak demand times.

The public parking facilities located adjacent to Terminal 2-Humphrey currently provide approximately 8,670 public parking spaces that are contained in two nine-level parking garages. Two levels of one of the parking garages are used by the ten on-Airport rental car brands. Approximately 2,203 of the 8,670 public parking spaces are used for employee parking. If the parking garages near capacity, the employees are required to park in two surface parking lots located near Terminal 2-Humphrey, thereby freeing up the spaces for the public.

Four off-Airport private parking facilities serve passengers of the Airport and provide an estimated additional 5,450 automobile parking spaces.

Other Facilities. In addition to the facilities described above, the following facilities also are located at the Airport:

- Several Air Carriers have maintenance facilities located on the Airport, including Delta, Endeavor and Sun Country. Delta occupies two large hangar facilities (Delta Building B and Delta Building C) that include support functions such as office space, shops, engine-testing cells, computer facilities and storage. Delta Building B, can accommodate either three narrowbody or two 747-sized aircraft. Delta Building C has capacity to accommodate six narrowbody, two widebody, and two 747-400 aircraft simultaneously. Endeavor occupies a large hangar facility that was previously used by Delta for maintenance on 747 aircraft.

Additionally, Sun Country occupies significant hangar space at the Airport. Including the adjacent apron space, the leased premises of Sun Country Hangar #1 includes

approximately 440,000 square feet. The hangar can accommodate four 737-800 aircraft and the outside ramp has parking capacity for an additional four 737-800 aircraft. Sun Country Hangar #2 occupies approximately 270,000 square feet, including the apron. The hangar can accommodate one 737-800 aircraft and the ramp has parking capacity for one additional 737-800 aircraft. The building includes approximately 40,000 square feet of office and ancillary support space.

- The Airport rescue and firefighting facility is located between the west end of Runways 12R/30L and 12L/30R. The facility is operated by the Commission and staffed with Commission employees.
- The Commission houses a portion of its administrative offices and buildings for maintenance facilities and equipment on the west side of the Airport along 28th Avenue.
- Various buildings and areas are used for cargo operations, including facilities for FedEx and UPS.
- The military occupies land along 34th Avenue between Runways 12R/30L and 12L/30R and a second area, located on the northeast side of the Airport; while not located on Airport property, the land contains taxiway connectors and a small section of apron area.

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Aviation Activity

Airport Enplanements. The Airport is classified by the FAA as one of the large hub airports in the United States. According to ACI statistics, in calendar year 2015, the Airport was the 16th busiest airport in the nation in terms of passenger volume and the 25th busiest airport in the nation in terms of total cargo. The following table sets forth total enplaned and deplaned passengers and cargo information for 2015 as reported by ACI for the Airport as compared to other airports in the United States.

TABLE 9
2015 Ranking of U.S. Airports
(for the 12 months ended December 31, 2015)

Total Passengers ¹ (in thousands)			Total Cargo ¹ (freight and mail, in thousands of metric tons)		
Rank	Airport	Passengers	Rank	Airport	Cargo
1	Atlanta	101,491	1	Memphis	4,290.6
2	Chicago	76,950	2	Anchorage	2,630.7
3	Los Angeles	74,937	3	Louisville	2,350.7
-	-		-	-	
-	-		-	-	
12	Houston	43,023	21	Boston	275.0
13	Seattle	42,341	22	Washington, D.C. (Dulles)	262.2
14	Orlando	38,728	23	Denver	247.5
15	Newark	37,495	24	Portland	216.2
16	Minneapolis-St. Paul	36,583	25	Minneapolis-St. Paul	199.3
17	Boston	33,516	26	Detroit	193.5
18	Detroit	33,440	27	Orlando	188.0
19	Philadelphia	31,444	28	Salt Lake City	170.7
20	New York (LaGuardia)	28,438	29	San Diego	162.2

¹ Sum of enplaned and deplaned volume.

Source: ACI, 2015 North American Traffic Report.

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The following table sets forth historical enplanement information for the Airport for the years ended December 31, 2006 through 2015 and for the first nine months of 2015 and 2016. The table categorizes enplanement information into origin and destination (“O&D”) enplanements and connecting enplanements.

TABLE 10
Minneapolis-St. Paul International Airport
O&D and Connecting Passengers¹

Year²	O&D		Connecting		Total	% Change from Previous Year
	Enplaned Passengers	% of Total	Enplaned Passengers	% of Total		
2006	10,066,000	58.6%	7,112,000	41.4%	17,178,000	(4.5)%
2007	9,944,000	58.6	7,025,000	41.4	16,969,000	(1.2)
2008	8,356,000	51.0	8,028,000	49.0	16,384,000	(3.5)
2009	8,319,000	53.5	7,232,000	46.5	15,551,000	(5.1)
2010	8,347,000	53.1	7,367,000	46.9	15,714,000	1.1
2011	8,419,000	52.7	7,553,000	47.3	15,972,000	1.6
2012	8,441,000	52.7	7,579,000	47.3	16,020,000	0.3
2013	8,680,000	53.0	7,690,000	47.0	16,370,000	2.2
2014	9,069,000	53.3	7,939,000	46.7	17,008,000	3.9
2015	9,579,000	54.0	8,155,000	46.0	17,734,000	4.3
First 9 Months³						
2015	7,345,000	54.7%	6,086,000	45.3%	13,431,000	–
2016	7,936,000	57.5	5,864,000	42.5	13,800,000	2.7%

¹ Passenger figures are rounded to the nearest thousand.

² Year ended December 31.

³ January 1 through September 30. Results for the first nine months of Fiscal Year 2016 may not be indicative of results for the full Fiscal Year 2016.

Sources: Metropolitan Airports Commission; U.S. DOT, Air Passenger Origin-Destination Survey, reconciled to Schedule T100.

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Airport Operations. The following table sets forth information regarding aircraft operations at the Airport for the years ended December 31, 2006 through 2015 and for the first nine months of 2015 and 2016.

TABLE 11
Minneapolis-St. Paul International Airport
Aircraft Operations

Year¹	Air Carrier Operations	Commuter Operations	Cargo Operations	Total Commercial Operations³	Percent Commercial Operations³	General Aviation Operations	Military Operations	Total Operations
2006	283,844	135,286	16,355	435,485	91.68%	37,473	2,040	474,998
2007	263,816	141,013	15,292	420,121	92.75	30,562	2,289	452,972
2008	226,646	176,237	14,361	417,244	92.71	30,685	2,115	450,044
2009	211,085	183,911	11,146	406,142	93.93	24,361	1,892	432,395
2010	191,341	203,169	12,049	406,559	93.11	27,921	2,145	435,625
2011	178,896	217,267	12,203	408,366	93.55	26,157	1,983	436,506
2012	184,134	203,684	11,231	399,049	93.82	24,903	1,380	425,332
2013	193,470	203,106	11,701	408,277	94.66	21,866	1,185	431,328
2014	189,489	185,664	12,199	387,352	93.88	24,155	1,079	412,586
2015	205,635	162,779	12,789	381,203	94.23	22,077	1,252	404,532
First 9 Months²								
2015	155,164	125,587	9,359	288,110	94.16%	16,871	1,002	305,983
2016	161,637	122,518	10,014	294,169	94.23	17,046	983	312,198

¹ Year ended December 31.

² January 1 through September 30. Results for the first nine months of Fiscal Year 2016 may not be indicative of results for the full Fiscal Year 2016.

³ Total Commercial Operations equal Air Carrier Operations (including charters), Commuter Operations and Cargo Operations.

Source: Metropolitan Airports Commission.

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Landed Weight. The following table sets forth landed weight information for the Airport for the years ended December 31, 2006 through 2015 and for the first nine months of 2015 and 2016.

TABLE 12
Minneapolis-St. Paul International Airport
Aircraft Landed Weight
(in thousands of pounds)

Year¹	Type of Air Carrier		Total Landed Weight
	Passenger	All Cargo	
2006	22,266,525	1,174,305	23,440,830
2007	21,846,071	1,152,231	22,998,302
2008	21,047,357	1,095,773	22,143,130
2009	20,352,347	918,453	21,270,800
2010	19,856,212	986,029	20,842,241
2011	19,945,169	897,211	20,842,380
2012	19,625,108	885,442	20,510,550
2013	20,225,040	926,429	21,151,469
2014	20,224,580	965,912	21,190,492
2015 ²	20,577,785	984,305	21,562,090
First 9 Months³			
2015	15,620,451	709,713	16,330,164
2016	16,112,343	712,902	16,825,245

¹ Year ended December 31.

² During 2015, Delta's operations represented 71% of Total Landed Weight of Signatory Airlines at the Airport.

³ January 1 through September 30. Results for the first nine months of Fiscal Year 2016 may not be indicative of results for the full Fiscal Year 2016.

Source: Metropolitan Airports Commission.

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Air Carriers Serving the Airport

General. As of July 1, 2016, the Airport was served by 34 Air Carriers, including 21 U.S.-flag carriers providing scheduled service, 4 foreign-flag carriers providing scheduled service and 9 all-cargo service carriers. The following table sets forth the Air Carriers providing service at the Airport as of July 1, 2016.

TABLE 13
Minneapolis-St. Paul International Airport
Air Carriers Serving the Airport¹
(As of July 1, 2016)

U.S.-Flag Carriers		
Air Choice One	Endeavor ³	Republic Airlines ^{2,4,5}
Air Wisconsin ⁴	Envoy ⁴	Shuttle America ^{2,3}
Alaska	Express Jet ^{2,3}	SkyWest ^{2,3,6}
American	Frontier	Southwest
Boutique Air	Go Jet ^{2,3}	Spirit
Compass ³	Mesa ²	Sun Country
Delta	PSA ⁴	United
Foreign-Flag Carriers		
Air France	Condor	Icelandair
Air Georgian ⁷		
All-Cargo Service		
ABX Air ⁸	CSA Air	Mountain Air Cargo
Atlas Air Cargo ⁸	FedEx	Suburban Air Freight ⁸
Bemidji ⁹	IFL Group ¹⁰	UPS

¹ Excludes carriers reporting fewer than 1,000 enplaned passengers per annum. Does not indicate which major air carriers codeshare with each other.

² Codeshare with United.

³ Codeshare with Delta.

⁴ Codeshare with American.

⁵ Republic Airlines filed for bankruptcy protection on February 25, 2016, but continues to operate at the Airport while it reorganizes under bankruptcy protection.

⁶ Codeshare with Alaska.

⁷ Codeshare with Air Canada.

⁸ Provides air service to DHL.

⁹ Provides air service to UPS.

¹⁰ Provides air service to FedEx.

Source: Metropolitan Airports Commission.

Three branches of the United States Armed Forces are represented at the Airport: the Air Force Reserve 934th Tactical Airlift Group, the Marine Air Reserve Training Detachment, and the Naval Air Reserve-Twin Cities Center. Also located at the Airport is the Minnesota Air National Guard 133rd Tactical Airlift Group. At the St. Paul Downtown Airport, the Army maintains a dozen support helicopters and the National Guard bases its Fixed Wing Squadron. Training flights, servicing and simulated emergencies are conducted on a regular basis.

Enplanements by Air Carriers. Enplanements (departing passengers) for the largest Air Carriers operating at the Airport for the years ended December 31, 2011 through 2015 are shown in the following table.

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TABLE 14
Minneapolis-St. Paul International Airport
Air Carrier Market Share
Total Enplaned Passengers¹
(for the 12 months ended December 31)
(Ranked on 2015 results)

Air Carrier	2011	% of 2011 Total ²	2012	% of 2012 Total ²	2013	% of 2013 Total ²	2014	% of 2014 Total ²	2015	% of 2015 Total ²
Delta	12,357,000	77.4%	12,260,000	76.5%	12,254,000	74.9%	12,600,000	74.1%	12,910,000	72.8%
<i>Mainline</i>	8,042,000	50.3	7,953,000	49.6	8,077,000	49.3	8,595,000	50.5	9,139,000	51.5
<i>Regional Affiliates</i>	4,316,000	27.0	4,307,000	26.9	4,177,000	25.5	4,005,000	23.6	3,771,000	21.3
American ³	963,000	6.0	1,102,000	6.9	1,159,000	7.1	1,092,000	6.4	1,118,000	6.3
Sun Country	554,000	3.5	616,000	3.8	758,000	4.6	815,000	4.8	1,029,000	5.8
Southwest ⁴	905,000	5.7	893,000	5.6	903,000	5.5	948,000	5.6	941,000	5.3
United ⁵	525,000	3.3	682,000	4.3	615,000	3.8	643,000	3.8	783,000	4.4
Spirit	–	–	109,000	0.7	307,000	1.9	495,000	2.9	518,000	2.9
Frontier	260,000	1.6	192,000	1.2	178,000	1.1	229,000	1.3	227,000	1.3
Alaska	95,000	0.6	85,000	0.5	94,000	0.6	92,000	0.5	96,000	0.5
Air Canada	26,000	0.2	30,000	0.2	33,000	0.2	38,000	0.2	41,000	0.2
Air France	–	–	–	–	21,000	0.1	19,000	0.1	30,000	0.2
Icelandair	22,000	0.1	21	0.1	21,000	0.1	20,000	0.1	29,000	0.2
Other	263,000	1.6	30,000	0.2	30,000	0.2	14,000	0.1	12,000	0.1
Total ⁶	<u>15,972,000</u>	<u>100.0%</u>	<u>16,020,000</u>	<u>100.0%</u>	<u>16,370,000</u>	<u>100.0%</u>	<u>17,008,000</u>	<u>100.0%</u>	<u>17,734,000</u>	<u>100.0%</u>

¹ Passenger figures are rounded to the nearest thousand.

² Percentages may not sum to totals due to rounding.

³ Effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. American Airlines and US Airways began operating as a single airline (under the American brand) in October 2015. Enplanements are for both American and US Airways.

⁴ On May 2, 2011, Southwest acquired Air Tran. Southwest and Air Tran began operating as a single airline (under the Southwest brand) in March 2012. Enplanements for 2011 through 2012 are for both Air Tran and Southwest.

⁵ On October 1, 2010, United Airlines and Continental Airlines merged. United Airlines and Continental Airlines began operating as a single airline (under the United brand) in March 2012. Enplanements for 2011 and 2012 are for both United Airlines and Continental Airlines.

⁶ Total may not sum to totals due to rounding.

Source: Metropolitan Airports Commission

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Enplanements (departing passengers) for the largest Air Carriers operating at the Airport for the first nine months of 2015 and 2016 are shown in the following table.

TABLE 15
Minneapolis-St. Paul International Airport
Air Carrier Market Share
Total Enplaned Passengers¹
(for the 9 months ended September 30)
(Ranked on 2016 results)

Air Carrier	2015	% of 2015 Total ¹	2016 ²	% of 2016 Total ^{1,2}
Delta	9,804,000	73.0%	9,822,000	71.2%
<i>Mainline</i>	6,948,000	51.7	7,129,000	51.7
<i>Regional Affiliates</i>	2,856,000	21.3	2,694,000	19.5
American ³	854,000	6.4	916,000	6.6
Sun Country	781,000	5.8	837,000	6.1
Southwest	710,000	5.3	790,000	5.7
United	577,000	4.3	646,000	4.7
Spirit	369,000	2.7	460,000	3.3
Frontier	169,000	1.3	124,000	0.9
Alaska	71,000	0.5	107,000	0.8
Icelandair	22,000	0.2	31,000	0.2
Air Canada	34,000	0.3	29,000	0.2
Air France	30,000	0.2	23,000	0.2
Other	10,000	0.1	15,000	0.1
Total ⁴	<u>13,431,000</u>	<u>100.0%</u>	<u>13,800,000</u>	<u>100.0%</u>

¹ Percentages may not sum to totals due to rounding.

² Results for the first nine months of Fiscal Year 2016 may not be indicative of results for the full Fiscal Year 2016.

³ Effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. American Airlines and US Airways began operating as a single airline (under the American brand) in October 2015. Enplanements for 2015 are for both American and US Airways.

⁴ Total may not sum due to rounding.

Source: Metropolitan Airports Commission.

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Cargo Handled by Air Carriers. The following table presents the total cargo handled (enplaned and deplaned) by the largest Air Carriers operating at the Airport for the years ended December 31, 2011 through 2015.

TABLE 16
Minneapolis-St. Paul International Airport
Air Carrier Market Share
Total Cargo Handled (tons in thousands) ¹
(for the 12 months ended December 31)
(Ranked on 2015 results)

Airline	2011	2012	2013	2014	2015	% of 2015 Total
FedEx	98.7	99.3	94.0	87.9	85.2	38.6%
UPS	61.1	57.2	57.8	61.1	58.7	26.8
Delta	45.2	48.8	51.8	53.5	55.6	25.4
ABX Air ²	4.6	5.4	5.3	6.2	6.8	3.1
Sun Country	1.0	1.7	2.4	2.9	5.0	2.3
United ³	2.0	1.7	1.1	1.8	2.8	1.3
Southwest	1.5	1.6	1.5	1.8	2.1	0.9
American ⁴	2.3	1.4	1.4	1.2	0.8	<0.1
All Other	<u>13.6</u>	<u>1.9</u>	<u>2.3</u>	<u>2.5</u>	<u>2.7</u>	<u>1.2</u>
Total	<u><u>230.0</u></u>	<u><u>219.0</u></u>	<u><u>217.6</u></u>	<u><u>218.9</u></u>	<u><u>219.7</u></u>	<u><u>100.0%</u></u>

¹ Sum of enplaned and deplaned cargo. Tonnages and percentages may not sum to totals due to rounding.

² Provides air service to DHL.

³ On October 1, 2010, United Airlines and Continental Airlines merged. United Airlines and Continental Airlines began operating as a single airline (under the United brand) in March 2012. Cargo numbers for 2011 and 2012 are for both United Airlines and Continental Airlines.

⁴ Effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. American Airlines and US Airways began operating as a single airline (under the American brand) in October 2015. Cargo numbers are for both American and US Airways.

Source: Metropolitan Airports Commission.

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The following table presents the total cargo handled (enplaned and deplaned) by the largest Air Carriers operating at the Airport for the first nine months of 2015 and 2016.

TABLE 17
Minneapolis-St. Paul International Airport
Air Carrier Market Share
Total Cargo Handled (tons in thousands) ¹
(for the 9 months ended September 30)
(Ranked on 2016 Results)

<u>Airline</u>	<u>2015 (tons)</u>	<u>% of 2015 Total</u>	<u>2016² (tons)</u>	<u>% of 2016 Total²</u>
FedEx	63.2	39.2%	72.8	44.4%
UPS	42.1	26.1	40.4	24.6
Delta	42.6	26.4	32.5	19.8
Sun Country	3.2	2.0	5.2	3.2
ABX Air ³	5.0	3.1	5.1	3.1
Southwest	1.5	1.0	2.3	1.4
United	2.2	1.4	1.8	1.1
American ⁴	0.2	0.1	0.9	0.6
All Other	<u>1.2</u>	<u>0.7</u>	<u>2.9</u>	<u>1.7</u>
Total	<u>161.3</u>	<u>100.0%</u>	<u>163.9</u>	<u>100.0%</u>

¹ Sum of enplaned and deplaned cargo. Tonnages and percentages may not sum to totals due to rounding.

² Results for the first nine months of Fiscal Year 2016 may not be indicative of results for the full Fiscal Year 2016.

³ Provides air service to DHL.

⁴ Effective December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc. American Airlines and US Airways began operating as a single airline (under the American brand) in October 2015. Cargo numbers are for both American and US Airways.

Source: Metropolitan Airports Commission.

AGREEMENTS WITH AIRLINES AND OTHER CONCESSIONAIRES

General

The Commission has entered into, and receives payments under, several different agreements with various airlines and other parties, including lease agreements relating to landing fees and the leasing of space in terminal buildings, leases with Delta, leases relating to cargo and miscellaneous hangar facilities, concession agreements relating to the sale of goods and services at the Airport, and other leases relating to the construction of buildings and facilities for specific tenants.

Airline Lease Agreements

General. As of July 1, 2016, the Commission had entered into Airline Lease Agreements with 28 of the 34 Air Carriers operating at the Airport, including Delta. In addition to covering the lease of certain portions of the passenger terminal complex, including the apron, the Airline Lease Agreements cover the use of and rate-setting mechanisms for the airfield facilities. Six of the Air Carriers, including Delta and its affiliated Air Carriers, have entered into Airline Lease Agreements that have an expiration date of December 31, 2020; 20 of the Air Carriers have entered into Airline Lease Agreements that have an expiration date of December 31, 2018; and two Air Carriers (Air Choice One and Boutique Air) have entered into Airline Lease Agreements that have an expiration date of December 31, 2018, but may be cancelled by the Air Carriers with 30-day's notice to the Commission.

Any airline that does not execute an Airline Lease Agreement and continues to operate at the Airport is charged landing fees and terminal rentals as set by ordinances adopted by the Commission. The landing fees and terminal rentals charged pursuant to ordinance are generally higher than the landing fees and terminal rentals charged under the Airline Lease Agreements, but are subject to the FAA rules and regulations with respect to rates and charges imposed by airports.

The Airline Lease Agreements provide for, among other things, the use of the airfield and apron areas of the Airport and the lease of certain space in the terminal buildings. The Airline Lease Agreements also establish, among other things, procedures for the annual calculation of rents, fees and charges for the use of the Airport. Included in the rates and charges under the Airline Lease Agreements are the required deposits under the Senior Indenture and the Subordinate Indenture, including deposits to any debt service reserve funds established for the Senior Bonds and the Subordinate Obligations, the Maintenance and Operation Reserve Account and the Coverage Account. Although the Airline Lease Agreements allow the Commission to include required deposits, such as amounts to any debt service reserve funds established for the Senior Bonds and the Subordinate Obligations, in the calculation of rates, fees and charges, the Commission has agreed that it will not include deposits to the Maintenance and Operation Reserve Account and Coverage Account in the calculation of rates, fees and charges, except for such amounts which are necessary to be deposited to the Coverage Account in order to meet the rate covenant requirements under the Senior Indenture. The Airline Lease Agreements do not provide for the deposits to the Coverage Account necessary in order for the Commission to meet the rate covenant requirements under the Subordinate Indenture, and therefore, such deposits are not included in the calculation of rates, fees and charges.

Additionally, the Airline Lease Agreements provide that the Commission will utilize PFCs actually collected from the lesser of 90% of originating passengers or 45% of enplaned passengers from 2016 through 2030, for the funding of PFC eligible projects in the previously completed 2010 Long Term Comprehensive Plan (the “2010 Plan”), including the payment of debt service on Senior Bonds and Subordinate Obligations issued to finance PFC eligible projects in the 2010 Plan, before being applied in any other manner. Pursuant to the Airline Lease Agreement, the Commission also has agreed to use up to 50% of PFCs to pay debt service on the portion of the Senior Series 2010A Bonds and the Senior Series 2010B Bonds used to finance PFC eligible projects. In addition to the provisions of the Airline Lease Agreements, the Commission has agreed to apply PFCs to the fullest extent of eligibility, to pay debt service on the Senior Bonds and the Subordinate Obligations issued to finance airfield projects, including Runway 17/35. See “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE LEASE AGREEMENTS” for further information on the Airline Lease Agreements.

For the year ended December 31, 2015, the Commission reported revenues of \$95,987,000 collected from the Signatory Airlines pursuant to the terms of the Airline Lease Agreements.

Rates, Fees and Charges. Following is a brief discussion of certain provisions with respect to the rates, fees and charges set forth in the Airline Lease Agreements. See “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE LEASE AGREEMENTS” for additional information on the Airline Lease Agreements.

The rates, fees and charges under the Airline Lease Agreements are calculated on a compensatory rate-setting methodology for the passenger terminal buildings and a cost-center residual rate-setting methodology for the airfield. The Airline Lease Agreements define 13 cost centers (including, but not limited to, the airfield and the Terminal 1-Lindbergh aircraft parking ramps, Terminal 1-Lindbergh, Terminal 2-Humphrey, and the IAF) to be used in accounting for revenues and expenses and for calculating rents, fees and charges. The Signatory Airlines are charged “Recoverable Costs” for each of the cost centers, which include: direct and indirect operation and maintenance expenses; annual debt

service costs, plus reasonable amortization of commercial paper for rate-base related projects (including capital equipment); and the required deposits pursuant to the Senior Indenture and the Subordinate Indenture, including amounts required to be deposited to any debt service reserve funds established for the Senior Bonds and the Subordinate Obligations, but excluding amounts which may be deposited in the Coverage Account and the Maintenance and Operation Reserve Account outlined in the Senior Indenture, except for such amounts which are necessary to be deposited in the Coverage Account in order for the Commission to meet the rate covenant requirements of the Senior Indenture.

In addition to Recoverable Costs, the Signatory Airlines are charged annually, among certain airline cost centers, \$15 million (in 2006 dollars, escalated by 3% per year beginning in 2007) which is deposited to a repair and replacement account (the “Repair and Replacement Account”) within the Commission Construction Fund for major maintenance and minor (less than \$2 million) capital projects, except for parking facilities and roadways. In 2016, the Commission expects to charge the Signatory Airlines approximately \$20.9 million for the deposit to the Repair and Replacement Account.

Following is a summary of several of the rate setting methodologies provided for in the Airline Lease Agreements. See also “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE LEASE AGREEMENTS—Rents, Fees and Charges” for further information on the rate setting methodology. Pursuant to the Airline Lease Agreements, the landing fee rates at the Airport per 1,000 pounds of aircraft weight are calculated by dividing the net airfield cost by the total landed weight of the Signatory Airlines. The net airfield cost is calculated as Recoverable Costs, plus, (a) the landing fee repair and replacement amount (65.6% of the amount deposited to the Repair and Replacement Account each year), (b) \$79,535.16 annually (representing the costs of Runway 17/35 not yet charged to the Signatory Airlines), and (c) certain fines, assessments, judgments, settlements or extraordinary charges, less certain revenues including: service fees from the military; general aviation and nonsignatory landing fees; and debt service on capital costs, if any, disapproved by a Majority-In-Interest of the Signatory Airlines.

Air Carriers that are not Signatory Airlines are charged a landing fee rate as established pursuant to an ordinance adopted by the Commission. Pursuant to the provisions of the ordinance, for Fiscal Year 2016, the Commission charges Air Carriers that are not Signatory Airlines a landing fee rate equal to the greater of (i) 125% of the Signatory Airline landing fee rate and (ii) \$70.

Rental rates at Terminal 1-Lindbergh are calculated on the basis of dividing the net terminal building cost by total rentable space. The net terminal building cost is calculated as Recoverable Costs, plus \$2,910,547.40 annually (representing the costs of Concourses A, B, C and D not yet charged to the Signatory Airlines), less certain reimbursed expenses for carrousel and conveyor costs, ground power, porter service, loading dock and consortium utilities, and janitorial operation and maintenance expenses.

The IAF use fee is charged for use of the IAF on the G Concourse and is calculated as the sum of certain costs associated with the IAF divided by total international passengers arriving at the IAF. A gate use fee per aircraft operation is also charged for the use of gates, ramps and loading bridges on the IAF. The gate use fee per operation is \$400, \$800 and \$1,200 for propeller aircraft, narrowbody jet aircraft, and widebody jet aircraft, respectively. The Commission imposes certain other fees and charges for the use of the Airport, including, among others, the terminal apron fees and a carrousel and conveyor charge.

Rates for the use and occupancy of Terminal 2-Humphrey are not set by the Airline Lease Agreements. The Commission establishes the rents, fees and charges and the terms for the common-use of Terminal 2-Humphrey by ordinance.

The Airline Lease Agreements provide that: (a) except as otherwise provided in the Airline Lease Agreements, no capital projects are subject to approval by a Majority-in-Interest of the Signatory Airlines except for airfield projects costing in excess of \$1 million; (b) the Commission cannot charge the airlines for the cost of improvements to the airfield if a Majority-in-Interest of the Signatory Airlines have disapproved the project, provided that such improvements are subject to the approval of a Majority-in-Interest of the Signatory Airlines; and (c) identified projects in the 2010 Plan totaling approximately \$2.68 billion are deemed approved by the Majority-in-Interest of the Signatory Airlines and thus their costs can be included in the calculation of rates, charges and fees to the extent provided in the Airline Lease Agreements. The Airline Lease Agreements allow the Commission to establish a Contingency Fund in the amount of \$50 million per year beginning in 2010 and continuing through 2020 to be funded from excess revenues and used for capital projects, including projects in the airfield cost center, to be determined by the Commission. Any projects funded from the Contingency Fund will not require Majority-in-Interest approval. The Airline Lease Agreements define “Majority-in-Interest” as the Signatory Airlines who (a) represent no less than 50% in number of the Signatory Airlines operating at the time of the voting action and (b) paid no less than 40% of landing fees incurred by Signatory Airlines during the preceding Fiscal Year. Included in such rates and charges would be amounts sufficient to cover the Commission’s costs of the capital improvements to the airfield, terminal and runways at the Airport.

If, during the course of the year, the Commission believes significant variances exist in budgeted or estimated expense amounts that were used to calculate rents, fees, and charges for the then current Fiscal Year, the Commission may after notice to the Signatory Airlines adjust the rents, fees, and charges for future monthly billing to reflect current estimated expenditure amounts.

As soon as practical following the close of each Fiscal Year, but in no event later than July 1, the Commission is required to furnish to each Signatory Airline an accounting of the costs actually incurred and revenues and credits actually realized during the previous Fiscal Year with respect to each of the components of the calculation of the rents, fees, and charges broken down by rate making cost center. In the event a Signatory Airline’s rents, fees, and charges billed during the previous Fiscal Year exceed the amount of such Signatory Airline’s rents, fees, and charges required (as recalculated based on actual costs and revenues), such excess is refunded or credited to the Signatory Airline. In the event such Signatory Airline’s rents, fees, and charges billed during the previous Fiscal Year are less than the amount of such Signatory Airline’s rents, fees, and charges required (as recalculated based on actual costs and revenues), such deficiency is charged to the Signatory Airline in a supplemental billing. For Fiscal Year 2014, collections from the Signatory Airlines were deficient by approximately \$1.7 million, which deficiency was billed to the Signatory Airlines during Fiscal Year 2015. For Fiscal Year 2015, collections from the Signatory Airlines were in excess by approximately \$3.2 million, which excess will be returned to the Signatory Airlines during Fiscal Year 2016.

Food and beverage, merchandise and on-Airport auto-rental annual gross concession revenues (not including any CFCs) (“Selected Concession Revenues”) are shared with the Signatory Airlines that provide passenger service at the Airport (the “Passenger Signatory Airlines”) (allocated among the Passenger Signatory Airlines based upon their proportionate share of enplanements at the Airport for the applicable Fiscal Year). The amount of Selected Concession Revenues that is shared with the Signatory Airlines each Fiscal Year (the “Revenue Sharing”) is based on a schedule set forth in the Airline Lease Agreements which shared amount increases at an approximate annual average rate of 4.3%. See “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE LEASE AGREEMENT—Revenue Sharing.” The amount of Selected Concession Revenues for Fiscal Year 2015 are shown in the following schedule.

Annual Selected Concession Revenues¹	Percent Shared with Passenger Signatory Airlines
Greater than \$46,746,424	25% up to \$46,746,424 and 50% for amounts above \$46,746,424
\$36,181,443 to \$46,746,424	25%
\$34,734,185 to \$36,181,442	20
\$33,286,928 to \$34,734,184	15
\$31,839,670 to \$33,286,927	10
\$30,392,413 to \$31,839,669	5
Less than \$30,392,413	0

¹ Dollar amounts are for Fiscal Year 2015. See “APPENDIX D—SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE LEASE AGREEMENT—Revenue Sharing” for Fiscal Year 2016 amounts.

The Passenger Signatory Airlines also are entitled to Supplemental Revenue Sharing. For Fiscal Year 2015, the Supplemental Revenue Sharing was equal to an additional 25% of Selected Concession Revenues above \$30,000,000 but below \$46,746,425 if enplaned passengers at the Airport exceed 17,028,500. In Fiscal Year 2015, Selected Concession Revenues were \$42,553,811 and enplaned passengers at the Airport exceeded 17,028,500, which resulted in total Revenue Sharing of \$13,776,906 (including \$3,138,452 of Supplemental Revenue Sharing).

The total amount of Revenue Sharing is structured as a credit against terminal rates and charges payable by the Passenger Signatory Airlines in the subsequent Fiscal Year. Notwithstanding the agreement to share a portion of the Selected Concession Revenues, the amount of Revenue Sharing will be reduced to the extent necessary so that Net Revenues, after subtracting the Revenue Sharing, will not be less than 1.25 times the total annual debt service on Senior Parity Bonds, Subordinate Obligations and other debt obligations of the Commission. In the event that the Revenue Sharing is reduced in any year, such reduction will be deferred until the next Fiscal Year and will be credited against the rates and charges payable by the Passenger Signatory Airlines in the next Fiscal Year to the extent that Net Revenues, after subtracting the applicable Revenue Sharing, are not less than 1.25 times the total annual debt service on Senior Parity Bonds, Subordinate Obligations and other debt obligations of the Commission.

The Airline Lease Agreements provide that, in the event any Signatory Airline is not in compliance with its payment obligations under any agreement with the Commission, during the period following any applicable notice and cure period under such agreement and continuing until payment of any such amounts (the “Payment Default Period”), the Commission would have the right, upon written notice to such Signatory Airline (provided that if such Signatory Airline is in bankruptcy, no notice would be required for the effectiveness of the following although invoices would reference the additional amounts due and the applicable rate that applies), to: (i) have such Signatory Airline’s payment obligations under their applicable Airline Lease Agreement during the Payment Default Period revert to the rate structure in effect prior to the effective date of the Third Amendment to the Airline Lease Agreement (the Third Amendment to the Airline Lease Agreement became effective in 2007), and (ii) apply the amount of any accrued and unpaid Revenue Sharing credits, if any, due to such Signatory Airline for such period against any amounts owed by such Signatory Airline to the Commission to the extent necessary to cure such payment defaults.

Delta Lease Agreement. In addition to the terms of the Airline Lease Agreements discussed above, the Airline Lease Agreement entered into by Delta (the “Delta Lease Agreement”) contains the following additional terms, (i) Delta will make available one wide-body gate on an as-needed basis, and (ii) Delta has preferential use of gates on the G Concourse through December 31, 2020, with the exception of gates 1-9 which constitute the IAF. Prior to January 1, 2016, Delta had exclusive control over all concessions on Concourse G. As of January 1, 2016, the Commission assumed control over all of the concessions on Concourse G. Pursuant to the Delta Lease Agreement, beginning in Fiscal Year 2016, the Commission will share a portion of the concession revenues from Concourse G with Delta (1% of the gross sales that exceed \$45 million but don’t exceed \$60 million, and 2% of gross sales that exceed \$60 million). Revenues from the concessions on Concourse G also are a component of Selected Concession Revenues. See also “AIRLINE AND AIRLINE INDUSTRY INFORMATION—Delta—Role at the Airport.”

Pursuant to the Delta Lease Agreement, Delta also has covenanted that it and its regional affiliate airlines will maintain an annual average of 360 daily departing flights from the Airport (not less than 250 of such daily flights being serviced with jet aircraft with 70 or more passenger seats) and that at least 30% of enplaned passengers of Delta and its regional affiliate airlines at the Airport will be connecting passengers (the “Hubbing Covenant”). Delta will be allowed to reduce the daily flights below the limits set forth in the Hubbing Covenant, without violating the Hubbing Covenant, if such reduction is in connection with a system-wide reduction of flights by Delta. Delta (and its predecessor, Northwest) have always complied with the terms of the Hubbing Covenant.

In the event Delta violates the Hubbing Covenant, Delta’s credit from the Revenue Sharing would be eliminated for such year the Hubbing Covenant is violated and if violation of the Hubbing Covenant continues for three consecutive years, or if the Hubbing Covenant is determined to be unenforceable, Delta’s credit from the Revenue Sharing would be eliminated permanently. See “AIRLINE AND AIRLINE INDUSTRY INFORMATION—Delta.”

Additional Leases with Delta

The Commission and Delta also have entered into additional leases for certain facilities utilized by Delta for maintenance and overhaul and a facility utilized by Delta as an operational headquarters.

Other Building and Miscellaneous Leases

The Commission and certain parties have entered into certain leases which relate to rentals and other fees associated with Terminal 2-Humphrey, Delta’s maintenance hangar, miscellaneous hangar facilities, office rentals for tenants located in the west terminal area, non-airline tenants in Terminal 1-Lindbergh, cargo facilities and military facilities. For the year ended December 31, 2015, the aggregate annual rentals under these leases were approximately \$28,134,000.

Self-Liquidating Leases

The Commission has constructed various buildings and facilities for specific tenants including a fueling facility for Servisair Fuel Services, hangars and office space for Delta, Endeavor and Sun Country and cargo facilities for FedEx. As part of its agreement to construct these facilities, the Commission entered into certain leases (“Self-Liquidating Leases”) which relate to the use of these buildings and facilities. For the year ended December 31, 2015, the aggregate lease payments paid to the Commission under Self-Liquidating Leases were approximately \$10,227,000. The receipt of payments of imputed interest with respect to the Self-Liquidating Leases is treated as non-operating revenues of the Commission.

Debt Financed Self-Liquidating Leases. If the construction of a facility subject to a self-liquidating lease is financed with bonds issued by the Commission, the lessee is required to pay annual lease payments equal to the debt service requirements due in the following year on the bonds issued to construct such facility. The lease remains in effect until the total debt service on the bonds has been paid. Proceeds from the issuance of certain bonds were used to finance certain facilities subject to self-liquidating leases for Delta and FedEx.

Commission Funded Self-Liquidating Leases. If the construction of a facility subject to a self-liquidating lease is financed from funds the Commission has on hand, the lessee is required to make lease payments equal to the debt service requirements which would have been required if bond funds were used. Commission funds were used to finance certain facilities subject to self-liquidating leases for Servisair Fuel Services, Endeavor and certain Delta facilities, including the extension and reroofing of the G Concourse.

Concession Agreements - Terminal Buildings

The Commission has entered into separate concession agreements with various firms to operate concessions inside the terminal buildings at the Airport, including, among others, food and beverage services, newsstands-gifts, advertising, amusements/games, personal service shops, catering, baking and telephones. The term of each agreement ranges from 8 to 15 years, with options to extend. Each of the agreements also contain provisions for rental payments, which are for a certain percentage of the revenues generated by such concession, and minimum annual guarantees. For the year ended December 31, 2015, revenues from concessions totaled approximately \$29,705,000. See “—Airline Lease Agreement—Rates, Fees and Charges” above.

Parking Agreement

The public automobile parking facilities at the Airport are operated for the Commission by ABM Parking Services (“ABM”) under a parking management services agreement. The Commission receives all revenues and pays all costs of operation and maintenance of the facilities plus a management fee. The on-Airport parking options include a valet garage, short-term and long-term parking located at Terminal 1-Lindbergh, short-term and long-term parking at the “Quick Ride” parking ramp located approximately one mile from Terminal 1-Lindbergh, and short-term and long-term parking at the parking garages located adjacent to Terminal 2-Humphrey. See “MINNEAPOLIS-ST. PAUL INTERNATIONAL AIRPORT—Current Airport Facilities—Parking Facilities.” The management agreement with ABM became effective on July 1, 2015 and expires on December 31, 2017. The management agreement with ABM includes three 2-year extensions at the option of the Commission. For the year ended December 31, 2015, revenues from parking totaled approximately \$87,578,000.

Rental Car Lease Agreements

The Commission has entered into lease agreements and supplemental lease agreements (the “Rental Car Lease Agreements”) with four on-Airport rental car companies, representing ten rental car brands, including: Avis (includes Avis, Budget and Zipcar brands), Enterprise (includes Enterprise, Alamo and National brands), Hertz (includes Hertz, Dollar and Thrifty brands), and Advantage. The Commission also has issued permits authorizing two off-Airport rental car companies (Payless and Sixt) to operate at the Airport. Pursuant to an ordinance of the Commission, the off-Airport companies operate through a permit only, while the on-Airport companies operate through the Rental Car Lease Agreements for terminal counter space, ready/return parking positions in the parking garages located adjacent to Terminal 1-Lindbergh and Terminal 2-Humphrey and the quick-turnaround facilities located at the Airport (facilities for washing, vacuuming, fueling and general servicing of the rental cars). The Rental

Car Lease Agreements with the on-Airport rental car companies have terms of five years (beginning January 1, 2014) with 2 one-year extension options at the Commission's discretion. The on-Airport companies pay the Commission a concession fee equal to 10% of their gross revenues collected at the Airport. The on-Airport rental car companies have guaranteed a minimum payment to the Commission on an annual basis, which equals the greater of 85% of the previous year's concession fee paid to the Commission by the applicable rental car company or the minimum annual guaranteed amount for 2014 as set forth in the applicable Rental Car Lease Agreements. The on-Airport rental car companies also pay rent for exclusive-use space in Terminal 1-Lindbergh and Terminal 2-Humphrey and rent for the use of ready/return car parking positions and the quick-turnaround facilities. As described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Use of CFCs to Pay Debt Service and Other Costs" above, the on-Airport rental car companies also are required to collect a CFC from each of their customers and pay the collected CFCs over to the Commission. For 2016, the CFC is \$5.90 per transaction day. The Commission also expects the CFC to be \$5.90 per transaction day in 2017.

The off-Airport rental car companies operate under a permit, which is renewed on an annual basis and requires the off-Airport rental car companies to pay a privilege fee equal to 10% of gross receipts for rentals derived from customers using the Airport. The percentage with respect to the privilege fee is the same as the percentage charged to the on-Airport rental car companies and can be adjusted at such time as the percentage charged to on-Airport rental car companies is adjusted.

For the year ended December 31, 2015, revenues from on-Airport and off-Airport rental car companies, including CFCs of approximately \$11,913,000, totaled approximately \$31,399,000. See "—Airline Lease Agreements—Rates, Fees and Charges" above.

Reliever Airport Leases and Agreements

In addition to the above agreements, the Commission has entered into various other leases and agreements with tenants at the Reliever Airports. These include reliever airport tenant leases, fuel flowage fees, hangar rentals, storage lots, commercial fees and other miscellaneous amounts. For the year ended December 31, 2015, the revenues from these agreements totaled approximately \$6,939,000.

Miscellaneous—Off-Airport Concession Leases and Ground Transportation Fees

The Commission has entered into certain leases with off-Airport concessionaires which provide off-Airport advertising and auto services (gas stations operated on Airport property). Additionally, the Commission charges fees for permits and licenses to operate shuttles, vans, buses and taxis at the Airport. The Commission also charges fees to ridesharing companies, such as Uber and Lyft, to drop-off and pick-up passengers at the Airport. Such fees are set by Commission ordinances. For the year ended December 31, 2015, the Commission received approximately \$10,124,000 in off-Airport leases and ground transportation fees.

Miscellaneous Revenues

In addition to the above agreements, the Commission has entered into various other leases and agreements and collects certain miscellaneous revenues, including, among other things, utility charges, ground space rentals, office rentals for commuter airlines and concessionaires, commuter and general aviation fees, employee parking/shuttle bus fees, consortium fees, utility fees and other miscellaneous amounts. For the year ended December 31, 2015, the Commission collected approximately \$12,891,000 in other miscellaneous revenues.

FINANCIAL INFORMATION

General Information

The Commission maintains its financial records on a calendar year basis, using the accrual method of accounting. Financial statements are audited annually by a firm of independent auditors. Financial statements for the year ended December 31, 2015 are included in this Official Statement as set forth in Appendix B.

Summary of Financial Operations

The Commission's financial report, attached as Appendix B, includes three financial statements: the Balance Sheets, the Statement of Revenues and Expenses and Changes in Net Position and the Statement of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board ("GASB"). The following table summarizes the financial results from operations for the Commission for the years ended December 31, 2011 through 2015.

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TABLE 18
Metropolitan Airports Commission
Summary of Statements of Revenues, Expenses
and Changes in Net Position
(\$000s)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Operating Revenues					
Airline rates and charges – gross	\$ 96,422	\$ 98,437	\$ 106,015	\$111,005	\$ 107,805
Concessions	118,792	126,399	131,321	136,445	146,893
Rentals/fees	27,575	27,999	33,327	34,117	36,086
Utilities and other revenues	<u>13,759</u>	<u>13,582</u>	<u>15,382</u>	<u>16,768</u>	<u>16,637</u>
Total Operating Revenues	<u>\$ 256,548</u>	<u>\$ 266,417</u>	<u>\$ 286,045</u>	<u>\$ 298,335</u>	<u>\$ 307,421</u>
Operating Expenses					
Personnel	\$ 66,297	\$ 68,145	\$ 71,024	\$72,358	\$ 81,728
Administrative	1,532	1,561	1,407	1,610	1,521
Professional services	4,167	4,536	4,514	4,972	5,574
Utilities	16,568	16,288	18,633	20,873	18,304
Operating services	17,151	17,379	18,940	19,583	21,230
Maintenance	27,057	26,052	29,305	31,377	32,089
Depreciation and amortization	118,985	120,201	128,010	131,069	134,419
Other	<u>3,530</u>	<u>2,631</u>	<u>3,055</u>	<u>3,323</u>	<u>3,454</u>
Total Operating Expenses	<u>\$ 255,287</u>	<u>\$ 256,793</u>	<u>\$ 274,888</u>	<u>\$285,165</u>	<u>\$ 298,319</u>
Operating Income (Loss)	\$ 1,261	\$ 9,624	\$ 11,157	\$13,170	\$ 9,102
Nonoperating Revenues (Expenses)					
Investment income	\$ 21,496	\$ 8,182	\$ 7,066	\$8,746	\$9,241
Federal interest rate subsidies	–	–	–	–	599
Passenger facility charges	62,244	62,231	65,291	67,106	70,471
Gain/(Loss) on disposal of assets	14	(1,172)	(561)	(16,387)	60
Bond interest expense	<u>(78,186)</u>	<u>(64,613)</u>	<u>(64,792)</u>	<u>(67,734)</u>	<u>(57,614)</u>
Total Nonoperating Revenues/ (Expenses)	<u>\$ 5,568</u>	<u>\$ 4,628</u>	<u>\$ 7,004</u>	<u>\$ (8,269)</u>	<u>\$ 22,757</u>
Income Before Capital Contributions and Grants	6,829	14,252	18,161	4,901	31,859
Capital contributions and grants	<u>22,635</u>	<u>19,940</u>	<u>33,472</u>	<u>20,498</u>	<u>14,686</u>
Change in Net Position	29,464	34,192	51,633	25,399	46,545
Net Position – Beginning of Year	1,584,129	1,613,593	1,642,316	1,693,949	1,719,348
Change in Accounting Principle	–	<u>(5,469)</u>	–	–	<u>(49,119)</u> ¹
Net Position – Beginning of Year, as restated	–	<u>1,608,124</u>	–	–	<u>1,670,229</u>
Net Position – End of Year	<u>\$1,613,593</u>	<u>\$1,642,316</u>	<u>\$1,693,949</u>	<u>\$1,719,348</u>	<u>\$1,716,774</u>

¹ During 2015, the Commission implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27 (“GASB 68”). With the implementation of GASB 68, the Commission recorded a net pension liability of \$68,428,000 as of December 31, 2015, which was not previously included on the balance sheet. This amount represents the Commission’s proportionate share of the net pension liability of the General Employees Retirement Plan and the Public Employees Police and Fire Fund. Adoption of GASB 68 resulted in a decrease of \$49,119,000 in the beginning net position as of January 1, 2015. See “—Pension and Retirement Plans.”

Source: Basic Financial statements of the Metropolitan Airports Commission.

Management Discussion of Airport Finances

2015 vs. 2014. Change in net position for the year ended December 31, 2015 was \$46,545,000 as compared to \$25,399,000 for the year ended December 31, 2014. Operating income for the year ended December 31, 2015 decreased by \$4,068,000. Operating revenues increased by \$9,086,000. Factors affecting operating revenues included: (a) a \$3,200,000 decrease in airline rates and charges attributed to lower levels of snow and an increase in the amount of concessions shared with the signatory airlines; (b) concessions increased \$10,448,000 primarily as a result of (i) an increase in public parking revenue due to a parking rate increase on January 1, 2015, (ii) an increase in food and beverage revenues due to passenger growth and an increase in spending per passenger, (iii) an increase in auto rental revenues due to passenger growth and, (iv) a full years' revenue from outdoor advertising; (c) rentals increased by \$1,969,000 due to higher activity of auto rental customer facility charges and higher terminal building rental rates for non-airline tenants; (d) utilities and other revenues decreased by \$131,000 as a result of a warmer winter resulting in lower utility revenues. Operating expenses increased by \$13,154,000. Factors affecting operating expenses included: (a) personnel expenses increased by \$9,370,000 primarily due to annual wage adjustments and the implementation of GASB Statement No. 68 (Accounting and Financial Reporting for Pensions) which resulted in a significant pension expense adjustment in 2015; (b) administrative expenses decreased by \$89,000 due to the decreased use of computer supplies; (c) professional services increased by \$602,000 due to capital improvement projects that were expensed due to the project becoming inactive or will not be going forward and an increase in spending in information technology related services; (d) utilities decreased by \$2,569,000 due to lower natural gas and heating fuel consumption due to a warmer than average winter and less electrical consumption due to replacing the lighting fixtures in the parking ramps at Terminal-1 Lindbergh with more energy efficient lighting and the Commission received an electricity credit rate adjustment; (e) operating services increased by \$1,647,000 due to the shuttling of passengers from the newly opened quick ride parking ramp to Terminal-1 Lindbergh; and (f) maintenance increased by \$712,000 due to an increased focus on the cleanliness throughout the Terminal 1-Lindbergh and Terminal 2-Humphrey and an increase in maintaining the in-line baggage screening system (these increases were partially offset by lower snow removal expenses due to a milder winter in 2015); (g) depreciation expense increased by \$3,350,000 due to new projects placed into service in 2014 and 2015; and (h) other expenses increased by \$131,000 due to higher general insurance claims and premiums. Nonoperating revenues increased by \$20,906,000 primarily due to: (i) a loss on the 2014 sale of land that the Commission acquired during the construction of Runway 17/35, (ii) higher interest rates earned on investments, (iii) an increase in PFCs due to increased passenger counts, and (iv) receipt of a rebate in connection with the solar panel financing at the Terminal-1 Lindbergh parking ramps. Nonoperating expenses decreased \$10,120,000 primarily due from the debt service savings from the issuance of the Subordinate Series 2014A Bonds and the Subordinate Series 2014B Bonds.

2014 vs. 2013. Change in net position for the year ended December 31, 2014 was \$25,399,000 as compared to \$51,633,000 for the year ended December 31, 2013. Operating income for the year ended December 31, 2014 increased by \$2,013,000. Operating revenues increased by \$12,290,000. Factors affecting operating revenues included: (a) a \$4,990,000 increase in airline rates and charges attributed to higher activity at Terminal 2-Humphrey as well as higher snow removal and utility expenses due to colder weather and an above average amount of snowfall; (b) concessions increased by \$5,124,000 primarily as a result of (i) an increase in public parking revenue due to an increase in transactions and longer length of stay, and (ii) an increase in food and beverage due to the opening of additional concession units and passenger growth in Terminal 2-Humphrey and continued growth in Terminal 1-Lindbergh concessions; (c) rentals increased by \$790,000 due to higher activity of auto rental customer facility charges and increased ground rental income due to a new auto rental quick-turnaround facility at Terminal 2-Humphrey; (d) utilities and other revenues increased by \$1,386,000 as a result of (i) colder winter resulting in higher utility and deicing revenues, (ii) higher concession consortium fees (utilities,

maintenance, cleaning and distribution services) in which the concessionaires pay a percent a sales for, thus an increase in sales results in higher consortium fees, and (iii) higher reimbursements received from the Transportation Security Administration for the Commission's Police K9 program. Operating expenses increased by \$10,277,000. Factors affecting operating expenses included: (a) personnel expenses increased by \$1,334,000 primarily due to annual wage adjustments and overtime due to snow events; (b) administrative expenses increased by \$203,000 due to the increased use of computer supplies and higher travel expenses; (c) professional services increased by \$458,000 due to capital improvement projects that were expensed due to the project becoming inactive or will not be going forward; (d) utilities increased by \$2,240,000 due to higher natural gas and heating fuel consumption due to a colder than average winter and higher natural gas and electricity rates that were effective during 2014; (e) operating services increased by \$643,000 due to a higher amount of spending on snow removal (glycol removal) and a full year of a new porter service for Terminal 1-Lindbergh which started in July 2013; (f) maintenance increased by \$2,072,000 due to higher snow removal expenses (gasoline, parts, repairs and materials); (g) depreciation expense increased by \$3,059,000 due to new projects placed into service in 2013 and 2014; (h) other expenses increased by \$268,000 due to higher property and vehicle insurance premiums and higher spending for the replacement of computer equipment. Nonoperating revenues decreased by \$12,331,000 primarily due to a loss on sale of land that the Commission acquired during the construction of Runway 17/35 and lower interest rates earned on investments offset partially by an increase in PFCs due to increased passenger counts. Nonoperating expenses increased \$2,942,000 primarily due to lower capitalized interest on capital projects from 2013 and bond issuance expenses associated with the issuance of the Subordinate Series 2014A Bonds and the Subordinate Series 2014B Bonds.

2013 vs. 2012. Change in net position for the year ended December 31, 2013 was \$51,633,000 as compared to \$34,192,000 for the year ended December 31, 2012. Operating income for the year ended December 31, 2013 increased by \$1,533,000. Operating revenues increased by \$19,628,000. Factors affecting operating revenues included: (a) a \$7,578,000 increase in airline rates and charges attributed to higher activity at Terminal 2-Humphrey as well as higher snow removal and utility expenses due to colder weather and an above average amount of snowfall; (b) concessions increased by \$4,922,000 primarily as a result of (i) an increase in public parking revenue due to an increase in transactions and a longer length of stay, and (ii) an increase in food and beverage revenue due to the opening of additional concession units in Terminal 2-Humphrey and continued growth in Terminal 1-Lindbergh concessions; (c) rentals and fees increased \$5,328,000 primarily as a result of an increase in the customer facility charge rate to pay for the construction of auto rental facilities at Terminal 2-Humphrey and an increase in reliever airport revenue due to a new rate structure implemented in 2013; (d) utilities and other revenues increased by \$1,800,000 due to higher utility costs for ground power, a lease rate increase for consortium fees in which concessionaires pay for utilities, maintenance, cleaning and distribution services and a new general aviation fuel flowage fee for tenants at the Airport. Operating expenses increased by \$18,095,000 in 2013. Factors affecting operating expenses included: (a) a \$3,253,000 increase in maintenance expenses due to higher than average snow amounts which required higher expenditures for materials, equipment and fuel; (b) a \$2,879,000 increase in personnel costs attributable to higher wage, overtime and associated benefit costs related to snow removal; (c) a \$154,000 decrease in administrative expenses primarily as a result of an decrease in airport association dues as well as lower spending on computer supplies; (d) a \$22,000 decrease in professional services as a result of lower legal and engineering fees partially offset by higher concession related expenditures and environmental fees; (e) a \$2,345,000 increase in utilities primarily as a result of higher natural gas and electricity prices and consumption due to a colder than average winter; (f) an increase of \$1,561,000 in operating services was due to higher spending on storm water monitoring due to higher than average snow amounts, a new porter service for Terminal 1-Lindbergh was started in July 2013 and higher parking management expenses due to an increase in parking activity; (g) an increase of \$7,809,000 in depreciation and amortization as a result of assets that were placed in service in 2012 and 2013 (major projects closed include a new data center, a checked

baggage security system for Terminal 1-Lindbergh and amortization of sound abatement improvements); (h) a \$424,000 increase in other expenses as a result of higher airport liability and property premiums as well as an increase in bad debt expenses due to bankruptcies; and (i) the Commission also dedicated additional cleaning resources in areas with higher traffic such as restrooms and other public areas. Nonoperating revenues increased slightly by \$2,555,000 as a result of increase passenger facility charge revenue partially offset by lower investment income due to lower interest rates. Nonoperating expenses increased slightly due to higher interest expense related to the issuance of the Subordinate Series 2012A Bonds and the Subordinate Series 2012B Bonds in 2012, which was partially offset by an increase in capitalized interest.

2012 vs. 2011. Change in net position for the year ended December 31, 2012 was \$34,192,000 as compared to \$29,464,000 for the year ended December 31, 2011. Operating income for the year ended December 31, 2012 increased by \$8,363,000. Operating revenues increased by \$9,869,000. Factors affecting operating revenues included: (a) a \$2,015,000 increase in airline rates and charges attributed to higher activity at Terminal 2-Humphrey as well as higher debt service costs; (b) concessions increased by \$7,607,000 primarily as a result of (i) an increase in public parking revenue due to an increase in the general parking rate, and (ii) in 2012, Delta started a program of installing a new concessions concept on the G Concourse (Delta retains a majority of the concession revenue earned on the G Concourse. As the existing concessions in the G Concourse were closed due to construction, the passengers diverted to other areas within Terminal 1-Lindbergh where the Commission was able to earn additional concession revenue); (c) rentals and fees increased \$424,000 primarily as a result of a higher number of customer facility charge transactions which generated more revenue in 2012; (d) utilities and other revenues decreased by \$177,000 due to lower consumption due to a mild winter in 2012. Operating expenses increased by \$1,506,000 in 2012. Factors affecting operating expenses included: (a) a \$1,848,000 increase in personnel costs attributable to higher wage and associated benefit costs; (b) a \$29,000 increase in administrative expenses primarily as a result of an increase in airport association dues; (c) a \$369,000 increase in professional services as a result of higher expenses associated with area navigation (RNAV) modeling at the Airport as well as expensing projects in the capital improvement program that will not be going forward; (d) a \$280,000 decrease in utilities primarily as a result of lower natural gas prices and consumption offset partially by higher electricity prices; (e) an increase of \$228,000 due to a higher amount spent on technology related service agreements partially offset by lower storm water monitoring due to a mild winter in 2012; (f) an increase of \$1,216,000 in depreciation and amortization as a result of assets that were placed in service in 2011 and 2012; and (g) an \$899,000 decrease in other expenses as a result of a 2011 international air service incentive payment to Delta for the scheduling of international service between the Airport and Paris and lower airport liability claims and premiums. Nonoperating revenues decreased \$14,513,000 mainly due to a decrease in interest income as a result of a 2011 Delta payment of their lease obligation under the Series 15 Lease Agreements as well as lower rates earned on investments. Nonoperating expenses decreased due to the refunding or retirement of debt and an increase in capitalized interest.

Airline Revenues

During 2015, operations of Delta and its affiliated Air Carriers represented approximately 69% of the total takeoffs and landings at the Airport. The following table sets forth total operating revenues of the Commission and total revenues of the Air Carriers and that portion of each derived from payments made by Delta (and its affiliated Air Carriers).

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TABLE 19
Minneapolis-St. Paul International Airport
Airline Revenue (Unaudited)
(\$000s)

	Year Ended December 31				
	2011	2012	2013	2014	2015
Commission Revenues Attributable to Delta					
Total Commission Operating Revenue	\$256,547	\$266,418	\$286,045	\$298,335	\$307,421
Commission Funded & Bond Funded					
Self-Liquidating Revenue (Principal & Interest)	37,973	11,945	11,939	12,084	10,227
Interest Income – Commission Funds ¹	<u>3,467</u>	<u>2,862</u>	<u>3,215</u>	<u>3,461</u>	<u>3,838</u>
Total Adjusted Commission Operating Revenue	\$297,987	\$281,225	\$301,199	\$313,880	\$321,486
Delta’s Portion of Operating Revenue	\$70,910	\$71,144	\$75,391	\$78,301	\$74,078
Delta’s Portion of Commission Funded Bond & Self-Liquidating Revenue (Principal & Interest) ¹	<u>33,736</u>	<u>7,655</u>	<u>7,599</u>	<u>7,687</u>	<u>5,780</u>
Total Delta Revenue	\$104,646	\$78,799	\$82,990	\$85,988	\$79,858
Delta’s Percentage of Total Adjusted Commission Operating Revenue	35.12%	28.02%	27.55%	27.40%	24.84%
Total Adjusted Commission Operating Revenue	\$297,987	–	–	–	–
Less: Delta’s Self-Liquidating Lease Payments due with respect to the Series 15 Bonds ²	<u>26,376</u>	–	–	–	–
Total Adjusted Commission Operating Revenue (Net of Series 15 Bond Payments)	\$271,611	–	–	–	–
Total Delta’s Portion of Revenue Less Northwest/Delta’s Self-Liquidating Lease Payments due with respect to the Series 15 Bonds ²	78,270	–	–	–	–
Delta’s Percentage of Total Adjusted Commission Operating Revenue (Net of Series 15 Bond Payments)	28.82%	–	–	–	–
Total Airline Revenues Attributable to Delta					
Total Airline Rates and Charges Revenue	\$96,422	\$98,536	\$106,015	\$111,005	\$107,805
Total Air Carrier Commission Funded					
Self-Liquidating Revenue	<u>35,960</u>	<u>9,933</u>	<u>9,932</u>	<u>10,077</u>	<u>8,227</u>
Total Air Carrier Revenue	\$132,362	\$108,469	\$115,947	121,082	116,032
Total Delta Revenue	104,646	78,799	82,990	85,988	79,858
Delta’s Percentage of Total Air Carrier Revenue	79.05%	72.65%	71.58%	71.02%	68.82%
Total Air Carrier Revenue	\$132,382	–	–	–	–
Less: Delta’s Self-Liquidating Lease Payments due with respect to the Series 15 Bonds ²	<u>26,376</u>	–	–	–	–
Total Air Carrier Revenue (Net of Series 15 Bond Payments)	106,006	–	–	–	–
Total Delta’s Portion of Revenue Less Delta’s Self-Liquidating Lease Payments due with respect to the Series 15 Bonds ²	78,270	–	–	–	–
Delta’s Percentage of Total Air Carrier Revenue (Net of Series 15 Bond Payments)	73.84%	–	–	–	–

¹ Does not include interest income earned on PFCs.

² In 1992, the Commission issued its Taxable General Obligation Revenue Bonds, Series 9 (the “Series 9 General Obligation Revenue Bonds”), the proceeds of which were loaned to Northwest Airlines. In 2002, the Commission refunded all of the outstanding Series 9 General Obligation Revenue Bonds with the proceeds of its Taxable General Obligation Revenue Refunding Bonds, Series 15 (the “Series 15 General Obligation Revenue Bonds”). In connection with the issuance of the Series 15 General Obligation Revenue Bonds, the Commission and Delta (as successor to Northwest Airlines), entered into certain lease agreements (the “Series 15 Lease Agreements”) with respect to certain land, buildings and equipment. On October 26, 2011, Delta prepaid all of the lease payments due under the Series 15 Lease Agreements and on January 1, 2012 the Commission redeemed all of the outstanding Series 15 General Obligation Revenue Bonds.

Source: Metropolitan Airports Commission.

The following table sets forth the airline's cost per enplaned passenger for the years ended December 31, 2011 through 2015.

TABLE 20
Minneapolis-St. Paul International Airport
Airline Cost Per Enplaned Passenger
(for the year ended December 31)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Total Cost ¹	\$100,961,000	\$102,789,000	\$110,378,000	\$115,708,000	\$114,253,000
Enplaned Passenger	15,972,000	16,020,000	16,367,000	17,000,000	17,730,000
Airline Cost per Enplaned Passenger	\$6.32	\$6.42	\$6.74	\$6.81	\$6.44

¹ Total Cost includes airline payments made to the Commission for expenses incurred in the airfield, Terminal 1-Lindbergh and Terminal 2-Humphrey.

Source: Metropolitan Airports Commission

The following table sets forth the landing fee rates at the Airport for the Signatory Airlines for the years ended December 31, 2011 through 2015.

TABLE 21
Minneapolis-St. Paul International Airport
Landing Fee Rates for Signatory Airlines
(for the year ended December 31)

<u>Year</u>	<u>Landing Fee Per 1,000 lbs.¹</u>
2011	\$2.46
2012	2.53
2013	2.62
2014	2.68
2015	2.64

¹ Landing fee rates for Signatory Airlines. Non-Signatory Airlines are charged a landing fee established pursuant to an ordinance adopted by the Commission.

Source: Metropolitan Airports Commission

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Operating Revenue Diversity

The following tables set forth the top ten operating revenue providers and top ten revenue sources for the Commission for the years ended December 31, 2014 and 2015.

TABLE 22
Metropolitan Airports Commission
Top Ten Operating Revenue Providers
(for the years ended December 31, 2014 and 2015)
(ranked on 2015 results)

	2014	2015
1.	Delta	Delta
2.	HMS Host	HMS Host
3.	Enterprise	Enterprise
4.	Hertz	Hertz
5.	Sun Country	Sun Country
6.	Avis	Avis
7.	World Duty Free Group	World Duty Free Group
8.	Southwest Airlines	American Airlines
9.	United Airlines	Southwest Airlines
10.	American Airlines	United Airlines

Source: Metropolitan Airports Commission.

TABLE 23
Metropolitan Airports Commission
Top Ten Operating Revenue Sources
(for the years ended December 31, 2014 and 2015)

	2014		2015	
	Source	Revenue	Source	Revenue
1.	Parking	\$80,657,939	Parking	\$87,577,975
2.	Landing Fees	57,706,841	Landing Fees	57,903,940
3.	General Building R&R	41,066,665	General Building R&R	40,515,468
4.	Other Building Rent	22,291,568	Other Building Rent	22,936,457
5.	Auto Rental (on- and off-Airport) ^{1,2}	18,443,768	Auto Rental (on- and off-Airport) ^{1,2}	19,486,004
6.	Food and Beverage ²	16,128,104	Food and Beverage ²	16,836,419
7.	Ground Rent ²	9,038,840	Ground Rent ²	8,728,095
8.	News and Retail Stores	8,245,380	News and Retail Stores	8,191,087
9.	Ramp Fees	7,213,185	Ramp Fees	7,131,715
10.	Ground Transportation Fees	5,307,218	Ground Transportation Fees	5,207,766

¹ Excludes the CFC collected by the on-Airport rental car companies and paid to the Commission, of which the Commission received \$11,377,000 in 2014 and \$11,913,000 in 2015. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Use of CFCs to Pay Debt Service and Other Costs” and “AGREEMENTS WITH AIRLINES AND OTHER CONCESSIONAIRES—Rental Car Agreements.”

² See “AGREEMENTS WITH AIRLINES AND OTHER CONCESSIONAIRES—Airline Lease Agreements” for a discussion of certain concession revenues that are shared with the Signatory Airlines that provide passenger service at the Airport.

Source: Metropolitan Airports Commission.

Budgeting Process

Operating Budget. The budget for the Commission is prepared on an accrual basis. Work on the budget begins in April of each Fiscal Year. During April, the Finance Department prepares historical information for each service center. In late May, the Finance and Administration Committee provides direction to staff regarding growth and allocation of funds and budget targets. These targets are typically focused around revenue growth, expense growth, debt coverage and airline rates and charges. The direction provided by the Finance and Administration Committee is communicated to staff at various informational meetings and included in their budget packages.

Budget packages are distributed to each service center in June. All service centers have four weeks to complete their budget. The Finance Department reviews all packages and summarizes information. The staffing matrix is the first item reviewed by senior staff. The Executive Director/Chief Executive Officer requests preliminary approval for additional positions, if any, from the Finance and Administration Committee. This preliminary approval provides the basis for more accurate projections.

During August, staff compiles summary reports and completes, on a preliminary basis, the revenue budget, the expense budget and the schedule of airline rates and charges. During September, presentations and supporting documents are prepared for the Finance and Administration Committee, senior staff and the Air Carriers. A draft of the budget is also provided to the Minnesota State Legislature. The month of October is reserved for presentations to the Finance and Administration Committee and revisions prior to requesting final approval.

The Finance and Administration Committee receives updates from staff during October and November. The recommendation from the Finance and Administration Committee for final approval is typically requested at the December Commission meeting. Final approval of the operating budget is given at the December Commission meeting. Rate changes are provided at the beginning of December based upon final draft information.

For the year ended December 31, 2016, the Commission has budgeted operating revenues of approximately \$330,353,000 and total operating expenses of approximately \$312,928,000 (including approximately \$139,200,000 of depreciation and amortization). For the nine months ended September 30, 2016, the Commission's operating revenues were approximately 1.9% over budget and the Commission's operating expenses, not including depreciation and amortization, were approximately 2.9% under budget. Results for the first nine months of Fiscal Year 2016 may not be indicative of results for the full Fiscal Year. Actual results for the full Fiscal Year may vary from budgeted figures and such variations may be material.

The Commission's preliminary budget for the year ending December 31, 2017 (the "Preliminary 2017 Budget") includes operating revenues of approximately \$352,894,000 and total operating expenses of approximately \$180,772,000 (not including depreciation and amortization). On December 19, 2016, the Commissioners are expected to consider the Preliminary 2017 Budget, and at such time, the Commissioners will adopt the Preliminary 2017 Budget as currently proposed or modify the Preliminary 2017 Budget.

Capital Budget. Each year, the Commission reviews, revises and approves capital projects that will start within the next 12 months, and adopts a CIP which covers all projects which are to be started during the second calendar year. In addition, a CIP which covers an additional five years is adopted. These serve as a basis for determining funding requirements and other operational planning decisions. The Commission's policy is to include in the CIP projects which enable the Commission to maximize federal aid and enhance safety and those that are customer service oriented. Certain projects which have a

metropolitan significance are also submitted to the Metropolitan Council for review and approval. The Metropolitan Council is a regional planning agency responsible for coordinating and planning certain governmental services for the metropolitan area.

Commission staff has developed a set of project priority categories to use as a guide in determining the projects to be included in the CIP. Commission approval authorizes staff to proceed with plans and specifications and to obtain bids for contract award by the Commission. These priority categories in order of importance include (a) projects which the Commission has made a commitment to complete; (b) projects that enhance or ensure continued safety at each of the airports in the Airport System; (c) projects that cannot be accomplished by Commission maintenance crews, but are essential for reasons of economics or continued operation; (d) projects that are necessitated by regulatory requirements, such as FAA regulations and local, state or federal laws; (e) projects which address various environmental issues ranging from asbestos abatement to wetland mitigation; (f) projects constituting preventative maintenance; (g) projects which improve customer service and/or convenience; and (h) projects which have been identified as improving various operational aspects of the Airport System, whether applicable to aircraft, tenants, Commission staff or off-airport service providers.

On December 21, 2015, the Commission approved the 2016-17 CIP that includes projects, the construction of which will occur and/or begin during calendar years 2016 and 2017. On May 16, 2016, the Commission approved an amendment to the 2016-17 CIP, that included an additional \$250,000 of projects. The amended 2016-17 CIP has a total cost of approximately \$747 million. On December 21, 2015, the Commission also approved the 2018-22 CIP that includes projects, the construction of which will occur and/or begin during calendar years 2018 through 2022. The 2018-22 CIP has a total cost of approximately \$727 million. See “CAPITAL IMPROVEMENT PROGRAM” for additional information about the 2016-17 CIP and the 2018-22 CIP.

Pension and Retirement Plans

GERF and PEPFF. All full-time and certain part-time employees of the Commission hired after June 30, 1978 are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (“PERA”). PERA administers the General Employees Retirement Plan (previously known as the Public Employees Retirement Fund) (“GERF”) and the Public Employees Police and Fire Fund (“PEPFF”) which are cost-sharing, multiple-employer retirement plans. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by PEPFF. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. GERF members belong to the Coordinated Plan, which incorporates Social Security. PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon the death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member’s average salary for any five successive years of allowable service, age and years of credit at termination of service.

All full-time and certain part-time employees of the Commission hired before July 1, 1978 were previously covered by the Minnesota Employees Retirement Fund (“MERF”), a defined benefit pension plan administered by PERA. MERF was fully merged into GERF on January 1, 2015. There is only one active employee of the Commission that is part of MERF.

See “APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE METROPOLITAN AIRPORTS COMMISSION FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015—NOTES TO THE FINANCIAL STATEMENTS—NOTE J: PENSION AND RETIREMENT PLANS” for additional information on GERF and PEPFF.

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. The Commission makes annual contributions to GERF and PEPFF equal to the amounts required by State law.

The following table sets forth the statutorily required contributions made by the Commission and the employees of the Commission to GERF and PEPFF for Fiscal Years 2011 through, and including, 2015, and the budgeted contributions for Fiscal Year 2016. The Commission and the employees of the Commission have always made their full statutorily required contributions to GERF and PEPFF. The Commission cannot predict the levels of funding that will be required in the future.

TABLE 24
Metropolitan Airports Commission
Contributions to GERF and PEPFF

Fiscal Year	GERF				PEPFF			
	Commission Contribution		Commission Employees' Contribution		Commission Contribution		Commission Employees' Contribution	
	Amount Contributed	% of Covered Payroll	Amount Contributed	% of Covered Payroll	Amount Contributed	% of Covered Payroll	Amount Contributed	% of Covered Payroll
2011	\$2,284,000	7.25%	\$1,958,000	6.25%	\$1,526,000	14.40%	\$1,017,000	9.60%
2012	2,321,000	7.25	2,001,000	6.25	1,581,000	14.40	1,054,000	9.60
2013	2,470,000	7.25	2,129,000	6.25	1,563,000	14.40	1,042,000	9.60
2014	2,553,000	7.25	2,201,000	6.25	1,763,000	15.30	1,175,000	10.20
2015	4,770,000 ¹	13.04 ¹	2,392,000 ¹	6.54 ¹	1,920,000	16.20	1,280,000	10.80
2016 ³	4,961,000 ²	11.75 ²	2,757,000 ²	6.53 ²	1,946,000	16.20	1,297,000	10.80

¹ MERF was fully merged into GERF on January 1, 2015. Includes an Employer Supplemental Contribution of \$2,016,000 relating to MERF.

² Includes an Employer Supplemental Contribution of \$1,786,000 relating to MERF.

³ Budgeted.

Source: Metropolitan Airports Commission

The following tables set forth certain information about the funding status of GERF and PEPFF that has been extracted from the comprehensive annual financial reports of PERA for the fiscal years ended June 30, 2011 through, and including, 2015 (collectively, the “PERA CAFRs (2011-2015)”), and the actuarial valuation reports provided to PERA by Gabriel Roeder Smith & Company (collectively, the “PERA Actuarial Reports (2011-2015)”). Complete copies of the PERA CAFRs (2011-2015) and the PERA Actuarial Reports (2011-2015) can be obtained from PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088. According to PERA, there are approximately 2,100 separate units of government (including the Commission) that participate in PERA’s various funds, including GERF and PEPFF.

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TABLE 25
Funding Status of GERF
(Dollars in thousands)

Valuation Date	Actuarial Value of Assets [a]	Market Value of Assets [b]	Actuarial Accrued Liability [c]	Unfunded Actuarial Accrued Liability (Actuarial Value) [c]-[a]	Funded Ratio (Actuarial Value) [a]/[c]	Unfunded Actuarial Accrued Liability (Market Value) [c]-[b]	Funded Ratio (Market Value) [b]/[c]	Covered Payroll [d]	UAAL as a Percentage of Covered Payroll (Actuarial Value) [[c-a]/[d]]
7/1/2011	\$13,455,753	\$13,616,622	\$17,898,849	\$4,443,096	75.18%	\$4,282,227	76.08%	\$5,079,429	87.47%
7/1/2012	13,661,682	13,577,653	18,598,897	4,937,215	73.45	5,021,244	73.00	5,142,592	93.75
7/1/2013	14,113,295	15,084,608	19,379,769	5,266,474	72.82	4,295,161	77.83	5,246,928	100.37
7/1/2014	15,644,540	17,404,822	21,282,504	5,637,964	73.51	3,877,682	81.78	5,351,920	105.34
7/1/2015	17,974,439	18,581,795	23,560,951	5,586,512	76.29	4,979,156	78.87	5,549,255	100.67

Source: PERA CAFRs (2011-2015) and PERA Actuarial Reports (2011-2015).

TABLE 26
Funding Status of PEPFF
(Dollars in thousands)

Valuation Date	Actuarial Value of Assets [a]	Market Value of Assets [b]	Actuarial Accrued Liability [c]	Unfunded Actuarial Accrued Liability (Actuarial Value) [c]-[a]	Funded Ratio (Actuarial Value) [a]/[c]	Unfunded Actuarial Accrued Liability (Market Value) [c]-[b]	Funded Ratio (Market Value) [b]/[c]	Covered Payroll [d]	UAAL as a Percentage of Covered Payroll (Actuarial Value) [[c-a]/[d]]
7/1/2011	\$5,274,602	\$5,317,032	\$6,363,546	\$1,088,944	82.89%	\$1,046,514	83.55%	\$775,806	140.36%
7/1/2012	5,797,868	5,772,047	7,403,295	1,605,427	78.31	1,631,248	77.97	794,417	202.09
7/1/2013	5,932,945	6,346,741	7,304,032	1,371,087	81.23	957,291	86.89	796,188	172.21
7/1/2014	6,525,019	7,273,100	8,151,328	1,626,309	80.05	878,228	89.23	820,333	198.25
7/1/2015	7,076,271	7,348,704	8,460,477	1,384,206	83.64	1,111,773	86.86	845,076	163.80

Source: PERA CAFRs (2011-2015) and PERA Actuarial Reports (2011-2015).

When calculating the funding status of GERF and PEPFF for the fiscal year ended June 30, 2015, PERA and Gabriel Roeder Smith & Company, the actuary of PERA (the “PERA Actuary”), used the following assumptions, among others: (1) assets are valued on a five-year moving average of expected and market values so that investment gains and losses for a fiscal year are recognized over five years at 20% per year; (2) the remaining amortization period under GERF is 18 years and under PEPFF is 26 years; (3) the rate of return on investments is assumed to be 8.00%; (4) salaries are projected to increase 3.25-11.78% for GERF and 4.25-12.75% for PEPFF; (5) the rate of inflation is assumed to be 2.75%; (6) payrolls are projected to increase 3.50% per year; and (7) cost of living adjustments for GERF are assumed to be 1.0% per year through 2034 and 2.5% per year thereafter.

Based on information provided to the Commission by PERA, approximately \$54 million of the unfunded actuarial accrued liability of GERF and approximately \$14 million of the unfunded actuarial accrued liability of PEPFF is allocable to the Commission.

Post-Retirement Health Benefits. In addition to the contributions to GERF and PEPFF, the Commission provides health insurance benefits for certain of its retired employees (the “Post-Retirement Health Benefits Program”). All non-union employees (hired before August 17, 2006) who retire from the Commission at age 55 or later, have three years of service and who are receiving benefits from PERA, and who do not participate in any other health benefits program providing coverage similar to that offered

by the Commission, are eligible to continue receiving coverage with respect to both themselves and their eligible dependents under the Post-Retirement Health Benefits Program. Union employees require ten years of service to be eligible for benefits. Employees of the Commission hired after August 17, 2006 are not eligible for the Post-Retirement Health Benefits Program. The Commission's post-retirement health benefits expense for Fiscal Year 2015 was \$3,664,000 and is expected to be \$3,996,000 in 2016. See "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE METROPOLITAN AIRPORTS COMMISSION FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015—NOTES TO THE FINANCIAL STATEMENTS—NOTE K: OTHER POSTEMPLOYMENT BENEFITS" for additional information on the post-retirement benefits offered by the Commission to its employees.

As a result of the adoption of GASB Statement No. 45, an actuarial valuation of the Post-Retirement Health Benefits Program was completed by Van Iwaarden Associates in April 2016 (the "OPEB Actuarial Report"). According to the OPEB Actuarial Report, as of January 1, 2016, the Post-Retirement Health Benefits Program had an actuarial accrued liability of \$95,236,170. As of December 31, 2015 and 2014, the Commission held \$60,907,000 and \$58,270,000, respectively, in designated cash that was reserved against the Commission's actuarial accrued liability to the Post-Retirement Health Benefits Program. As of December 31, 2016, the Commission expects to hold approximately \$62,154,000 in designated cash that will be reserved against the Commission's actuarial accrued liability to the Post-Retirement Health Benefits Program. However, since such designated cash has not been irrevocably deposited in trust for the benefit of the Post-Retirement Health Benefits Program, the OPEB Actuarial Report stated that 100% of the actuarial accrued liability of the Post-Retirement Health Benefits Program was unfunded. The OPEB Actuarial Report assumed an amortization period of 30 years for contributions to be made by the Commission to the Post-Retirement Health Benefits Program, a discount rate of 3.5%, and an initial annual health care cost trend rate of 6.6%, which decreases to 5.3% over four years.

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Risk Management and Insurance

The Senior Indenture and the Subordinate Indenture do not specify any minimum amount of insurance coverage. Instead, the Senior Indenture requires the Commission to maintain insurance or qualified self-insurance against such risks at the Airport as are usually insured at other major airports.

As of November 1, 2016, the Commission maintained the following insurance coverages:

Insurer	Expiration	Coverage	Policy Limits (Thousands of Dollars)
ACE/IUSA ¹	1/1/17	General aviation liability including personal injury	\$750,000
Alliant (Public Entity Property Insurance Program)	7/1/17	Blanket fire & extended coverage on building and contents. Boiler and machinery. Cyber risk and terrorism. ²	\$1,050,000
Self-insured ³	Continuous	Statutory workers' compensation	Excess of \$480,000
Great American Insurance Group/Zurich American Insurance Company	6/1/17	Comprehensive crime employee/police	\$5,000
Minnesota Risk Management Fund	7/1/17	Auto liability (licensed vehicles), physical damage, hired automobiles, inland marine and garage keepers	Physical Damage; Other (MN State Tort Cap)

¹ Includes a "War, Hijacking and Other Perils Endorsement" with coverage of up to \$100 million. Coverage under this endorsement may be terminated at any time by the underwriters and terminates automatically upon the outbreak of war (whether there has been a declaration of war or not) between any two or more of the following: France, the People's Republic of China, the Russian Federation, the United Kingdom or the United States, and certain provisions of the endorsement are terminated upon the hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter.

² The Commission's terrorism coverage under the Alliant Public Entity Property Insurance Program is part of a pool with six medium and small airports located across the United States. The insurance provides primary terrorism coverage of \$100 million and excess coverage (if the primary coverage level is exceeded) of \$300 million. However, the terrorism coverage for the Commission and the other six airports is subject to a combined cap of \$800 million. The terrorism insurance does not cover damage caused by hostile detonation of any weapon of war employing atomic or nuclear fission and/or fusion or other like reaction or radioactive force or matter.

³ Funded from current operating revenues of the Commission. Administered by Berkley Risk Administrators Company.

Investment Policy

Minnesota Statutes require that all Commission deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% for mortgage notes pledged). Authorized collateral includes allowable investments as discussed below, certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the Commission or in a financial institution other than that furnishing the collateral.

The Commission's interest-bearing deposit accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation. For 2015, cash deposits were entirely insured or collateralized by securities held in the Commission's name by a financial institution (Commission's agent) other than that furnishing the collateral.

The Commission may invest idle funds as authorized by Minnesota Statute, Section 118A, and the Commission's internal investment policy in the following:

- (a) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as high risk by Minnesota Statute, Section 118A.04 subd. 6;

- (b) mutual funds through shares of registered investment companies, provided the mutual fund receives certain ratings depending on its investments;
- (c) general obligations of municipalities and certain state agency and local obligations of Minnesota and other states, provided such obligations have certain specified bond ratings by a national bond rating service;
- (d) bankers' acceptances of United States banks;
- (e) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two national rating agencies and matures in 270 days or less; and
- (f) with certain restrictions, in repurchase agreements, security lending agreements, joint powers investment trusts, and guaranteed investment contracts.

See "APPENDIX B—AUDITED FINANCIAL STATEMENTS OF THE METROPOLITAN AIRPORTS COMMISSION FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015—NOTES TO FINANCIAL STATEMENTS—NOTE B: DEPOSITS AND INVESTMENTS—Investments" for additional discussion on the Commission's investment policies and the Commission's investments as of December 31, 2015.

Derivatives Policy

In November 2003, the Commission adopted a derivatives policy which provides guidelines to be used by the Commission when entering into derivative financial products, including, but not limited to, interest rate swaps, swaptions, municipal warrants and interest rate caps. As of the date of this Official Statement, the Commission has not entered into any derivative financial products.

CAPITAL IMPROVEMENT PROGRAM

General

The Commission has an ongoing capital improvement program at the Airport and the Reliever Airports, which includes, among other projects, end of life/replacement projects, information technology projects, long-term comprehensive plan projects, maintenance/facility upgrade projects, ongoing maintenance projects, noise mitigation projects and tenant specific projects.

Each year, the Commission adopts a CIP that covers all projects that are to be started and/or continued during the next two years. On December 21, 2015, the Commission approved the 2016-17 CIP that includes projects, the construction of which will occur and/or begin during calendar years 2016 and 2017. The 2016-17 CIP, as amended, has a total cost of approximately \$747 million. For longer range funding and planning decisions, in addition to the two-year CIP, the Commission adopts a capital improvement plan that covers an additional five-year period. On December 21, 2015, the Commission adopted the 2018-22 CIP. The 2018-22 CIP includes approximately \$727 million of projects that are expected to be continued or started between calendar years 2018 and 2022. See "FINANCIAL INFORMATION—Budgeting Process—Capital Budget."

In connection with the 2016-17 CIP and 2018-22 CIP projects and certain other long-term projects at the Airport, the Commission prepared the "MSP 2020 Improvements Project Environmental Assessment/ Environmental Assessment Worksheet (the "2020 EA/EAW") to evaluate the environmental

effects of the proposed improvements to the Airport. The environmental review process was completed in March 2013 with the issuance by the FAA of a Finding of No Significant Impact/Record of Decision (the “2020 FONSI/ROD”). Additionally, in April 2013, the FAA stated (through a Negative Declaration) that there was no need for the Commission to prepare an Environmental Impact Statement. See “AIRPORT SYSTEM ENVIRONMENTAL MATTERS—Airport Noise Control Program—60 to 64 DNL Noise Contours—Consent Decree—First Amendment to Consent Decree.”

On December 19, 2016, the Commissioners are expected to consider for approval the 2017-18 CIP that will include projects, the construction of which will occur and/or begin during calendar years 2017 and 2018. The 2017-18 CIP has a preliminary total cost of approximately \$647.5 million. The proceeds of the Senior 2016C Bonds and the Subordinate Series 2016E Bonds will be used for projects included in the 2017-18 CIP. On December 19, 2016, the Commissioners also are expected to consider for approval the 2019-23 CIP, that will include projects that are expected to be continued or started between calendar years 2019 and 2023. The 2019-23 CIP has a preliminary total cost of approximately \$778.5 million. On December 19, 2016, the Commissioners could approve the 2017-18 CIP and the 2019-23 CIP as currently contemplated or they could modify each of these CIPs.

2016-17 CIP Projects

The 2016-17 CIP includes approximately \$747 million of projects, as set forth in the following table. The two major projects in the 2016-17 CIP are the rehabilitation, repair and upgrade of various parts of Terminal 1-Lindbergh (approximately \$236 million) and the construction of the New Parking Garage and associated roadway improvements (approximately \$443 million). See PLAN OF FINANCE.” Future two-year CIPs could reflect project revisions and additional projects could be added to the 2016-17 CIP. The Commission does not need approval, and does not plan to seek approval, from the Majority-In-Interest of the Signatory Airlines to construct the projects in the 2016-17 CIP.

TABLE 27
Metropolitan Airports Commission
2016-17 CIP Projects

Projects	2016	2017	Total
Terminal 1-Lindbergh – New Parking Garage and Associated Roadway ¹	\$150,000,000	\$293,000,000	\$443,000,000
Terminal 1-Lindbergh Rehabilitation and Repair	129,550,000	106,450,000	236,000,000
Airfield and Runway	3,550,000	11,800,000	15,350,000
Hangars and Other Buildings	4,200,000	9,100,000	13,300,000
Police and Fire	4,850,000	7,850,000	12,700,000
Reliever Airports	7,900,000	4,500,000	12,400,000
Parking Facilities Rehabilitation and Repair	2,850,000	3,500,000	6,350,000
Environmental	2,000,000	450,000	2,450,000
Terminal 2-Humphrey Rehabilitation and Repair	2,100,000	–	2,100,000
Other	<u>2,025,000</u>	<u>1,325,000</u>	<u>3,350,000</u>
Total	<u>\$309,025,000</u>	<u>\$437,975,000</u>	<u>\$747,000,000</u>

¹ See “PLAN OF FINANCE.”

Source: Metropolitan Airports Commission.

2018-22 CIP Projects

The 2018-22 CIP includes approximately \$727 million of projects, as set forth in the following table. The major project in the 2018-22 CIP is the continued rehabilitation, repair and upgrade of various parts of Terminal 1-Lindbergh (approximately \$464 million). Future CIPs could reflect project revisions and additional projects could be added to the 2018-22 CIP. The Commission does not need approval, and does not plan to seek approval, from the Majority-In-Interest of the Signatory Airlines to construct the projects in the 2018-22 CIP.

TABLE 28
Metropolitan Airports Commission
2018-22 Capital Improvement Program Projects

Projects	2018	2019	2020	2021	2022	Total
Terminal 1-Lindbergh						
Rehabilitation and Repair	\$ 47,350,000	\$123,200,000	\$120,550,000	\$ 79,450,000	\$ 93,500,000	\$464,050,000
Police and Fire	5,700,000	8,500,000	53,000,000	3,500,000	3,000,000	73,700,000
Reliever Airports	4,250,000	17,250,000	11,100,000	12,450,000	17,300,000	62,350,000
Airfield and Runway	8,400,000	17,850,000	11,350,000	6,750,000	3,750,000	48,100,000
Noise Mitigation Program	7,500,000	7,500,000	4,300,000	–	–	19,300,000
Parking Facilities						
Rehabilitation and Repair	2,500,000	4,500,000	3,000,000	6,000,000	3,000,000	19,000,000
Hangars and Other Buildings	2,600,000	3,150,000	3,150,000	2,150,000	1,500,000	12,550,000
Terminal 2-Humphrey						
Rehabilitation and Repair	–	3,000,000	1,500,000	5,500,000	500,000	10,500,000
Environmental	800,000	3,500,000	3,800,000	–	2,000,000	10,100,000
Other	<u>1,150,000</u>	<u>650,000</u>	<u>2,250,000</u>	<u>2,700,000</u>	<u>550,000</u>	<u>7,300,000</u>
Total	<u>\$80,250,000</u>	<u>\$189,100,000</u>	<u>\$214,000,000</u>	<u>\$118,500,000</u>	<u>\$125,100,000</u>	<u>\$726,950,000</u>

Source: Metropolitan Airports Commission.

Funding Sources for the 2016-17 CIP and 2018-22 CIP Projects

General. The Commission anticipates financing the 2016-17 CIP and the 2018-22 CIP with a combination of (a) proceeds of the Senior Series 2016C Bonds, the Subordinate Series 2016E Bonds and Additional Senior Bonds and/or Additional Subordinate Bonds (approximately \$685 million); (b) PFCs (approximately \$355 million, on a pay-as-you-go basis); (c) federal and State grants (approximately \$69 million); and (d) and other available revenues of the Commission (approximately \$365 million, including \$155 million from the Repair and Replacement Account).

Senior/Subordinate Bond Proceeds. The Commission expects to use approximately \$685 million of the proceeds of the Senior Series 2016C Bonds, the Subordinate Series 2016E Bonds and Additional Senior Bonds and/or Additional Subordinate Bonds to finance a portion of the costs of the 2016-17 CIP and the 2018-22 CIP projects. See “PLAN OF FINANCE.”

Passenger Facility Charges. The Commission expects to use approximately \$355 million of PFCs (on a pay-as-you-go basis) to finance a portion of the costs of the projects in the 2016-17 CIP and the 2018-22 CIP.

The PFC Act and the PFC Regulations permit public agencies controlling certain commercial service airports (those with regularly scheduled service and enplaning 2,500 or more passengers annually) to charge enplaning passengers using the airport a \$1.00, \$2.00 or \$3.00 PFC with certain qualifying airports permitted to charge a maximum PFC of \$4.50. Regardless of the number of PFC applications which have been approved by the FAA, an airport can only collect a maximum of \$4.50 on each

enplaning passenger. Public agencies wishing to impose and use these PFCs must apply to the FAA for such authority and satisfy the requirements of the PFC Act. In addition, an application for the imposition of PFCs by certain public agencies (including the Commission) will not be approved by the FAA after October 1, 2000, unless such applying public agency has submitted a competition plan acceptable to the FAA. See “—Competition Plan” below.

The purpose of the PFC is to develop an additional capital funding source to provide for the expansion of the national airport system. Under the PFC Act, the proceeds from PFCs are required to be used to finance eligible airport-related projects that serve or enhance safety, capacity or security of the national air transportation system, reduce noise from an airport that is part of such system or furnish opportunities for enhanced competition between or among Air Carriers. See “CERTAIN INVESTMENT CONSIDERATIONS—Availability of Funding for the Capital Improvement Program.”

The Commission has received approval from the FAA, pursuant to twelve separate applications (nine of which were later amended by the Commission, with the approval of the FAA), to collect a PFC on each enplaning passenger at the Airport totaling approximately \$1.583 billion. The Commission has closed PFC Applications 1 through 5. These applications have been fully funded and the projects they financed have been completed. In August 2016, the Commission filed a 13th PFC application with the FAA for the purpose of collecting an additional \$65.2 million of PFCs for costs associated with certain of the PFC eligible projects that were included in the 2010 Plan and certain PFC eligible projects that were originally funded with proceeds of the Senior Series 2010A Bonds and the Senior Series 2010B Bonds. During the first quarter of 2017, the Commission anticipates filing a 14th PFC application with the FAA for the purpose of collecting an additional \$153 million of PFCs for costs associated with certain PFC eligible projects that were included in the 2015-16 CIP (projects that were or are being constructed during the two-year period from January 1, 2015 through December 31, 2016). Additionally, during the second quarter of 2017, the Commission anticipates filing a 15th PFC application with the FAA for the purpose of collecting an additional \$99 million of PFCs for costs associated with certain of the PFC eligible projects expected to be included the 2017-18 CIP (projects that are expected to be constructed during the two-year period from January 1, 2017 through December 31, 2018).

The Commission first began collecting a \$3.00 PFC in 1992. In 2001 the Commission received approval from the FAA to collect an additional \$1.50 on each enplaning passenger resulting in a \$4.50 PFC now being collected on each enplaning passenger at the Airport. Such PFCs have been approved by the FAA to be used to finance all or a portion of certain capital improvements at the Airport, including, among other things, the automated people mover system which was constructed as part of the auto rental/public parking garage located adjacent to Terminal 1-Lindbergh, noise mitigation projects, primarily the Part 150 Residential Insulation Program which applied to homes within the FAA-certified 65 or greater Day Night Level (“DNL”) noise contours, Terminal 2-Humphrey, portions of Runway 17/35, Concourses A and B of Terminal 1-Lindbergh, and expansion of Concourse C of Terminal 1-Lindbergh.

Under the Airline Lease Agreement, the Commission has agreed to use PFCs actually collected from the lesser of 90% of originating passengers or 45% of enplaned passengers from 2016 through 2030, for the funding of projects in the previously completed 2010 Plan including debt service on obligations issued to fund projects in the 2010 Plan, before being applied in any other manner. Pursuant to the Airline Lease Agreement, the Commission also has agreed to use up to 50% of PFCs to pay debt service on the portion of the Senior Series 2010A Bonds and the Senior Series 2010B Bonds used to finance PFC eligible projects. In addition to the provisions of the Airline Lease Agreements, the Commission has agreed to apply PFCs to the fullest extent of eligibility, to pay debt service on the Senior Bonds and the Subordinate Obligations issued to finance airfield projects, including Runway 17/35. See “AGREEMENTS WITH AIRLINES AND OTHER CONCESSIONAIRES—Airline Lease Agreements.”

See also “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Use of PFCs to Pay Debt Service.”

The following table sets forth a summary of the Commission’s approved PFC applications and the total amount of PFCs received by the Commission under each application through October 31, 2016.

TABLE 29
Metropolitan Airports Commission
Approved PFC Applications^{1,2}

PFC Application	Initial Approval Date	Initial Approval Amount	Amended Approval Amount	Total Amount Received as of October 31, 2016 ³
1	June 1992	\$ 66,356,000	\$ 92,714,000	\$ 92,714,000
2	August 1994	113,064,000	140,717,000	140,717,000
3	December 1995	32,700,000	36,377,000	36,377,000
4	December 1998	55,460,000	47,801,000	47,801,000
5	January 2000	106,874,000	112,533,000	112,533,000
6	January 2003	1,161,479,000	759,735,000	620,228,000
7	June 2005	0	14,479,000	14,479,000
8	May 2005	191,380,000	147,986,000	142,620,000
9	November 2005	7,316,000	8,659,000	8,659,000
10	May 2008	128,448,000	128,448,000 ⁴	73,995,000
11	March 2014	52,827,000	52,827,000	52,056,000
12	September 2015	<u>40,796,000</u>	<u>40,796,000</u>	<u>37,407,000</u>
Total		<u>\$1,956,700,000</u>	<u>\$1,583,072,000</u>	<u>\$1,379,586,000</u>

¹ PFC Applications 1 through 5 were originally approved for the collection of a \$3.00 PFC on each enplaning passenger. The Commission subsequently amended its PFC Application 5, which was subsequently approved by the FAA, authorizing the Commission to collect an additional \$1.50 PFC per enplaning passenger. PFC Applications 6 through 10 have been approved at the collection rate of \$4.50 per enplaning passenger.

² In August 2016, the Commission filed a 13th PFC application with the FAA for the purpose of collecting an additional \$65.2 million of PFCs. During the first quarter of 2017, the Commission anticipates filing a 14th PFC application with the FAA for the purpose of collecting an additional \$153 million of PFCs; and during the second quarter of 2017, the Commission anticipates filing a 15th PFC application with the FAA for the purpose of collecting an additional \$99 million of PFCs.

³ Authorization to collect PFCs under all of the applications and amendments expires on December 1, 2021, however, such authorization to collect PFCs could expire earlier if the total authorized amount is collected prior to December 1, 2021.

⁴ By the end of November 2016, the Commission expects to file an amendment to the 10th PFC application with the FAA for the purpose of reducing the authorized PFC collection amount to \$101.4 million.

Source: Metropolitan Airports Commission.

[Remainder of page intentionally left blank.]

The following table sets forth the amount of PFCs collected in 2011 through 2015.

TABLE 30
Metropolitan Airports Commission
Annual Collections of PFCs¹

<u>Year</u>	<u>PFCs Collected</u>
2011	\$62,444,000
2012	62,231,000
2013	65,291,000
2014	67,106,000
2015	70,471,000

¹ The information in this table is presented on a cash basis, and, therefore, will not match the accrual accounting presentation set forth in the Commission’s audited financial statements for the year ended December 31, 2015 that are included in Appendix B to this Official Statement.

Source: Metropolitan Airports Commission.

Federal and State Grants. The Commission expects to use approximately \$69 million of federal and State grants to finance a portion of the costs of the 2016-17 CIP and the 2018-22 CIP projects.

Airport Improvement Program Grants. The Commission receives federal grant money from the FAA each year. The Airport and Airway Improvement Act of 1982, as amended, created the Airport Improvement Program (“AIP”), which is administered by the FAA. Grants are available to airport operators in the form of entitlement funds and discretionary funds and are payable on a reimbursement basis. Entitlement funds are apportioned annually based upon the number of enplaned passengers and the aggregate landed weight of all-cargo aircraft; discretionary funds are available at the discretion of the FAA based upon a national priority system.

The Commission expects to receive approximately \$50.9 million of AIP entitlement/discretionary and reliever non-primary grants to finance projects in the 2016-17 CIP and the 2018-22 CIP. There can be no assurance as to the amount of such funding to the Commission in the future. See “CERTAIN INVESTMENT CONSIDERATIONS—Availability of Funding for the Capital Improvement Program.” Additionally, pursuant to the Wendel H. Ford Aviation Investment and Reform Act for the 21st Century (“AIR 21”), no AIP grants will be approved by the FAA after October 1, 2000 for certain airports (including the Airport), unless such applying airport has submitted a competition plan acceptable to the FAA. See “—Competition Plan” below.

As described above, the FAA has granted the Commission approval to collect PFCs at the Airport. In accordance with the PFC Act and the PFC Regulations, since the Commission collects a \$4.50 PFC the amount of AIP entitlement grants which the Commission is permitted to receive annually may be reduced up to 75%. However, as a result of the increased funding of AIP entitlement grants pursuant to AIR 21, the Commission has not experienced a material reduction from its previous level of AIP entitlement grants since it began collecting a \$4.50 PFC.

The Commission’s financial plan for funding projects in the 2016-17 CIP and the 2018-22 CIP assumes that AIP entitlement and discretionary grant funds will be available to fund the grant-eligible portion of certain of these projects. In the event that AIP grants to the Airport are lower than those made

in recent years, the Commission would either elect to delay or not undertake certain projects or seek alternative sources of funding, including the possible issuance of additional debt. See “CERTAIN INVESTMENT CONSIDERATIONS—Availability of Funding for the Capital Improvement Program.”

Transportation Security Administration Grants. The Commission has applied for, and expects to receive, approximately \$4 million in grants from the Transportation Security Administration (“TSA”) in 2016, which will be used to finance a portion of the new digital system that is being installed at the Airport that will replace the existing closed circuit TV system.

MNDOT Grants. In the past, the Commission has received grants from the Minnesota Department of Transportation (“MNDOT”) that are used to fund projects at the Airport. The Commission currently expects to receive approximately \$14 million of MNDOT grants between 2016 and 2022.

Internally Generated Commission Funds. The Commission also intends to use certain amounts it generates from operations after the payment of all of its operating expenses, debt service and other payment obligations to pay for costs of the projects in the 2016-17 CIP and the 2018-22 CIP. The Commission expects that approximately \$365 million of such funds (including \$155 million to come from the Repair and Replacement Account) will be available to fund projects in the 2016-17 CIP and the 2018-22 CIP.

2030 Long-Term Comprehensive Plan

In addition to its CIPs, the Commission develops a long-term comprehensive plan (“LTCP”) for the Airport, which is an infrastructure planning tool updated every five years based on projected passenger demand and aircraft operations levels. It is forward-looking and does not authorize actual construction or serve as a basis for noise mitigation. The Commission approved the current LTCP (the “2030 LTCP”) in 2010. The 2030 LTCP includes a forecast of Airport activity levels as of 2030 (passenger enplanements and aircraft operations) and the facilities needed to support those activity levels. The 2030 LTCP includes approximately \$2.4 billion (in 2009 dollars) of improvements to the Airport, including among others, expansion of Terminal 2-Humphrey, modernization and expansion of Terminal 1-Lindbergh, construction of additional parking garages at Terminal 1-Linbergh and Terminal 2-Humphrey, and certain airfield project. No changes to the existing runways were proposed. The 2030 LTCP also recommends that some, but not all, non-SkyTeam airlines (Delta and its affiliated airlines and Air France are currently members of SkyTeam), be relocated from Terminal 1-Lindbergh to Terminal 2-Humphrey. Certain of the projects set forth in the 2030 LTCP are included in the 2016-17 CIP and/or the 2018-22 CIP, including the rehabilitation, repair and upgrade of various parts of Terminal 1-Lindbergh and the construction of the new parking garages at Terminal 1-Lindbergh. The Commission is currently working on its 2035 LTCP, which it expects to complete in 2017.

Competition Plan

Pursuant to the AIR 21, certain covered airports, including the Airport, are required to file a competition plan with the FAA in order to receive further AIP entitlement grants after October 1, 2000 and in order to receive approval of PFC applications submitted after October 1, 2000. The airports that are required to comply with these provisions of AIR 21, include airports that board more than 0.25% of all passengers throughout the United States and at which one or two Air Carriers control more than 50% of the passenger boardings at such airport. The Airport meets both of these criteria and therefore must comply. AIR 21 states that the competition plan should include information on the availability of airport gates and related facilities, leasing and sub-leasing arrangements, gate-use requirements, patterns of air service, gate-assignment policy, financial constraints, airport controls over air- and ground-side capacity,

whether the airport intends to build or acquire gates that would be used as common facilities, and airfare levels compared to other large airports.

The Commission filed updates to its competition plan with the FAA in 2001 and 2008, which the FAA subsequently accepted. In September 2016, the Commission filed a new update to its competition plan in connection with its expected submission of the 14th PFC application in the first quarter of 2017. As of the date of this Official Statement, the FAA has not responded to the Commission's latest update of its competition plan.

Third-Party Developed Project at Airport (Hotel)

In addition to the capital improvement projects being undertaken by the Commission at the Airport and the Reliever Airports, a private third-party (Graves Hospitality, a Minneapolis-based developer) has agreed to construct a 12-story, 285-room hotel at the Airport. InterContinental Hotel and Resorts will be the hotel's brand. The hotel will be located across from Concourse C, and a new skyway and security checkpoint will be constructed, connecting the hotel with Concourse C. The project will cost approximately \$115 million: \$90 million will be paid by the developer and the Commission will pay \$25 million for road and skyway costs. In October 2016, the Commission and the Graves Hospitality entered into a 75-year ground lease agreement, and construction of the hotel began in November 2016. Graves Hospitality will own and operate the hotel and will pay the Commission ground rent and a percentage of gross hotel revenues. Graves Hospitality also will collect a 6.5% hotel facility charge (similar to a lodging tax) from the guests of the hotel and pay such collected hotel facility charges to the Commission.

AIRLINE AND AIRLINE INDUSTRY INFORMATION

Availability of Information Concerning Individual Airlines

Certain of the airlines or their parent corporations operating at the Airport are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, as such are required to file periodic reports, including financial and operational data, with the SEC. All such reports and statements can be inspected and copies obtained at prescribed rates in the Public Reference Room of the SEC at 100 F Street, NE, Room 1580, Washington, DC 20549. The SEC maintains a website at <http://www.sec.gov> containing reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. In addition, each domestic airline is required to file periodic reports of financial and operating statistics with the DOT. Such reports can be inspected at the following location: Bureau of Transportation Statistics, Research and Innovation Technology Administration, Department of Transportation, 1200 New Jersey Avenue, SE, Washington, DC 20590, and copies of such reports can be obtained from the DOT at prescribed rates.

Airlines owned by foreign governments or foreign corporations operating airlines (unless such foreign airlines have American Depository Receipts registered on a national exchange) are not required to file information with the SEC. Airlines owned by foreign governments, or foreign corporations operating airlines, file limited information only with the DOT.

Neither the Commission nor the Underwriters undertake any responsibility for and make no representations as to the accuracy or completeness of the content of information available from the SEC or the DOT as discussed in the preceding paragraphs, including, but not limited to, updates of such information on the SEC's website or links to other Internet sites accessed through the SEC's website.

See also "CERTAIN INVESTMENT CONSIDERATIONS" for discussions regarding the financial condition of the airlines and the effects of airline bankruptcies on the Commission.

Delta

General. Delta Air Lines Inc.'s SEC filings provide comprehensive financial, operational and other information concerning Delta and prospective investors are encouraged to review such filings prior to making an investment decision.

Role at the Airport. The Airport serves as a domestic hub in the route system of Delta. Delta also maintains domestic hubs at Atlanta, Detroit, New York-JFK, Salt Lake City, Los Angeles, New York (LaGuardia) and Seattle. Delta is the dominant Air Carrier operating at the Airport. Delta, together with its affiliated Air Carriers (including, among others, Endeavor and Compass), accounted for approximately 73% of passenger enplanements at the Airport in 2015 and approximately 25% of the airline rentals, fees and charges component of the Airport System's operating revenues. Additionally, Delta leases 87 of the 103 full service jet gates in Terminal 1-Lindbergh. See "CERTAIN INVESTMENT CONSIDERATIONS—Dominance of Delta at the Airport" and "—Factors Affecting the Airline Industry."

AIRPORT SYSTEM ENVIRONMENTAL MATTERS

There are several significant environmental matters which have direct and indirect impacts on the Commission and the Airport. These include aircraft noise reduction and the discharge of storm water runoff.

Airport Noise Control Program

65 or Greater DNL Noise Contours. Over the past 24 years, the Commission's plans for mitigating noise in homes near the Airport have varied. The Commission's previously approved Part 150 Residential Insulation Program, which applied only to homes within the FAA-certified DNL noise contours of 65 decibels or greater, was designed to provide an interior noise level of 45 decibels or less through the application of a five decibel noise reduction mitigation package. Once a home in the 65 or greater DNL noise contours was designated for sound insulation, its degree of sound insulation modifications depended on the existing conditions of the home's windows, doors, insulation levels, and mechanical systems. Residents within the 65 or greater DNL noise contours received a five decibel reduction package, which included some, or all, of the following items: reconditioning or replacement of existing windows; addition of exterior acoustical storm windows; reconditioning or replacement of existing prime doors; addition of exterior acoustical storm doors; baffling of attic and roof vents; addition of wall and attic insulation; and addition of central air conditioning (if not existing). Sound insulation modification to the 7,846 homes eligible to receive such modifications within the 65 or greater DNL noise contours have been completed at a total cost of approximately \$229.5 million.

60 to 64 DNL Noise Contours. In addition to insulating homes within the 65 or greater DNL noise contours, the Commission has received Majority-In-Interest approval from the Signatory Airlines to spend up to \$150 million for noise mitigation within the 60 to 64 DNL noise contours (the "60 to 64 DNL Noise Contours"). In early 2001, the Commission planned to spend the \$150 million on noise mitigation for homes within the 60 to 64 DNL Noise Contours. It had been estimated in 2001 that providing the five decibel reduction mitigation package to all of the homes located in the 60 to 64 DNL Noise Contours would cost approximately \$450 million (in the 2004 update to the Commission's 150 Residential Insulation Program the cost was estimated to be approximately \$331.5 million), and therefore, the Commission's plan to spend \$150 million would not have been sufficient. In November 2001, the Commission submitted a proposal to the FAA regarding, among other things, noise mitigation in the 60 to 64 DNL Noise Contours. On December 17, 2001, the Commission decided to reevaluate the best and most efficient use of the \$150 million for noise mitigation within the 60 to 64 DNL Noise Contours.

Additionally, in 2002 the Commission withdrew its November 2001 submittal to the FAA in order to develop revised noise contours for 2007. The Commission submitted revised noise contours to the FAA in November 2004 for review and approval. These revised noise contours took into account recent changes in the aviation industry but did not represent current conditions.

In 2004, the Commission proposed a \$48 million noise mitigation plan for the 60 to 64 DNL Noise Contours, whereby the Commission would spend \$28 million (down from the \$150 million plan) and the homeowners would spend \$20 million of their own money. The plan would include the installation of a mechanical package (including, among other things air conditioning) to the affected homes.

On April 6, 2005, the City of Minneapolis, the Minneapolis Public Housing Authority in and for the City of Minneapolis, the City of Eagan and the City of Richfield (collectively, the “Noise Plaintiffs”) filed a lawsuit in Minnesota State District Court, Fourth Judicial District (the “District Court”), against the Commission, alleging, among other things, that the Commission had violated and will likely continue to violate certain noise pollution provisions of the Minnesota Environmental Rights Act (“MERA”) and other laws of the State. The Noise Plaintiffs requested the court, among other things, to order the Commission to cease violating the noise pollution provisions of MERA and other laws of the State and to provide a five decibel reduction package to all homes within the 60 to 64 DNL Noise Contours, at no cost to the homeowners. The Commission estimated that the cost of providing a five decibel reduction package to all homes within the 60 to 64 DNL Noise Contours would be approximately \$331.5 million; however, the Commission estimated that the cost could be approximately \$450 million if it was required to provide the five decibel reduction mitigation package to all of the homes located in the 60 to 64 DNL Noise Contours in effect in 2001. On January 25, 2007, the court granted the Noise Plaintiffs’ motion for summary judgment, holding that the Commission created an environmental quality standard under MERA that required the Commission to provide a five decibel reduction package to all homes within the 60 to 64 DNL Noise Contours and that the Commission violated that standard. In February 2007, the District Court held a five-day trial on the issue of whether the Commission’s failure to provide a five decibel reduction package violated MERA by materially adversely affecting the environment, and on the issue of an appropriate remedy under MERA.

On September 1, 2005, David B. Wiencke, et. al., on behalf of themselves and all others similarly situated, filed a lawsuit with the District Court against the Commission seeking a declaratory judgment and monetary relief for the Commission’s failure to implement a five decibel reduction package to all homes within the 60 to 64 DNL Noise Contours. On August 3, 2006, the District Court issued an order certifying a class action of all individuals owning homes or other buildings within the boundaries of the City of Minneapolis and the City of Richfield within the 60 to 64 DNL Noise Contours as projected for 2005 by the Commission in its 1996 DNL Noise Contour Maps. The complaint, as amended, alleged breach of express contract, breach of implied contract, breach of contract on the grounds of promissory estoppel and sought declaratory relief. Although the legal claims were different than those raised by the Noise Plaintiffs discussed in the previous paragraph, the underlying facts and general claims for relief were substantially similar.

Consent Decree.

Original Consent Decree. On October 19, 2007, the District Court approved a Consent Decree (the “Original Consent Decree”) negotiated by the Commission, the Noise Plaintiffs and David B. Wiencke, et. al. Under the Original Consent Decree, the Commission was required to provide mitigation to homes in the 60 to 64 DNL Noise Contours. Mitigation activities varied based on the applicable noise contours, with homes in the most noise-impacted contours eligible for more extensive mitigation than those in less impacted areas. Multi-family dwellings (those with more than three living units) received

less extensive mitigation than single-family homes. The noise mitigation program under the Original Consent Decree was substantially completed on July 31, 2014 at a total cost of approximately \$95 million.

First Amendment to Consent Decree. As a result of past mitigation activities, the terms of the Original Consent Decree, and local land use compatibility guidelines defined by the Metropolitan Council, the Commission included a noise mitigation plan in the draft 2020 EA/EAW (see “CAPITAL IMPROVEMENT PROGRAM—General” above for additional information on the 2020 EA/EAW). In response to comments received by various communities surrounding the Airport on the draft 2020 EA/EAW, the Commission included a revised noise mitigation plan in the final 2020 EA/EAW. When the FAA issued its 2020 FONSI/ROD in March 2013, it concluded that there were no areas of sensitive land uses that would experience a 1.5 decibel or greater increase in the 65 DNL noise contour if the Commission were to move forward with its capital improvement program. The FAA concluded that noise mitigation would not be part of the 2020 FONSI/ROD, nor did it constitute a condition of approval by the FAA. However, the FAA included a letter with the 2020 FONSI/ROD that addressed using Commission revenues for the noise mitigation plan included in the 2020 EA/EAW. The FAA stated that “As a matter of general principal mitigation measures imposed by a state court as part of a consent decree are eligible for use of airport revenue. Conceptually the MAC could use airport revenues if it were to amend the [Original Consent Decree] to include the proposed mitigation.”

Based on the FAA’s position, the Commission initiated discussions with the other parties to the Original Consent Decree in order to include the modified noise mitigation plan that was included in the final 2020 EA/EAW in the Original Consent Decree. On September 25, 2013, the District Court approved an amendment to the Original Consent Decree (the “First Amendment to Consent Decree”), which included the modified noise mitigation program. Eligibility under the modified noise mitigation program included in the First Amendment to Consent Decree became effective in 2014 and will expire on December 31, 2024.

Under the First Amendment to Consent Decree, eligibility of single-family and multi-family homes will be determined based upon actual noise contours that are developed by the Commission on an annual basis. A single-family or multi-family home will be considered eligible for noise mitigation when the following criteria are met:

- (a) the community in which the home is located has adopted local land use controls and building performance standards that prohibit new residential construction or remodeling on the block in which the home is located, unless the construction or remodeling materials and practices are consistent with the noise impact levels and consistent with noise mitigation provided by this program, and
- (b) the home is located, for a period of three consecutive years (the first of the three years cannot be later than calendar year 2020) in the actual 60-64 DNL noise contour, and, within a higher noise impact mitigation area when compared to the single-family home’s status under the noise mitigation program that was included in the Original Consent Decree.

Noise mitigation will be provided to eligible properties in the year following the determination of eligibility. Single-family and multi-family homes that were opted out of mitigation previously are not eligible to participate in the modified mitigation program.

The Commission’s 2015 Annual Noise Contour Report was completed on March 1, 2016 (the “2015 Noise Contour Report”). According the 2015 Noise Contour Report, a total of 905 single-family homes and 88 multi-family units are potentially eligible to receive noise mitigation. As described above,

a home must meet the eligibility standards for three consecutive years in order to be eligible to receive noise mitigation. 137 single family homes and 88 multi-family units have met the eligibility standards for three consecutive years and are eligible to receive noise mitigation beginning in 2017. 285 single family homes have met the eligibility standards for two consecutive years, and, if they meet the standards again in 2017, they will be eligible to receive noise mitigation beginning in 2018. 483 single family homes have met the eligibility standards for one year, and, if they meet the standards again in 2017 and 2018, they will be eligible to receive noise mitigation beginning in 2019. As described in “CAPITAL IMPROVEMENT PROGRAM—2016-17 CIP” and “—2018-22 CIP”, the Commission is currently programing a total of \$25.7 million for noise mitigation to be provided under the First Amendment to Consent Decree, beginning in 2017.

State Legislation. From time to time, there have been bills introduced in the Minnesota State Legislature that addressed noise mitigation with respect to communities surrounding the Airport. To date, none of these bills has been passed by the Minnesota State Legislature and signed by the Governor; however, the Commission cannot predict if additional bills will be introduced in the future that may impose restrictions or obligations on the Commission with respect to noise mitigation or, if introduced and ultimately adopted by the Minnesota State Legislature and signed by the Governor, what effect, if any, such restrictions or obligations might have on the Commission.

Discharge Permit

Under the Clean Water Act and Environmental Protection Agency Regulations, the Airport is required to obtain a National Pollutant Discharge Elimination System (“NPDES”)/State Disposal System permit from the Minnesota Pollution Control Agency (“MPCA”). The permit authorizes the discharge of the Airport’s storm water runoff, subject to certain requirements and conditions. The Airport’s storm water discharge is impacted primarily from the use of aircraft deicing chemicals. The permit contains limitations on the total amount of a pollutant, known as biological oxygen demand (“BOD”), that the Airport may discharge on an annual basis. BOD is associated with the use of deicing chemicals at the Airport and is carried by storm water to the points of discharge regulated by the permit.

In April 2013, after more than 10 years of ongoing negotiations between the Commission, Airport tenants and the MPCA, the Authority’s 1993 NPDES permit was reissued. The 1993 NPDES permit originally expired in 1995. The Commission continued to operate under the 1993 NPDES permit while it negotiated with the MPCA. The reissued permit includes new limits for oil and grease, phosphorus, and suspended solids, new compliance schedule requirements, and a requirement for mercury and phosphorus minimization plans. Most notably, the reissued permit incorporates a co-permittee structure that includes the Commission, the airlines and operators conducting activities that have the potential to impact stormwater at the Airport. This structure provides shared responsibility for reducing impacts.

Program management has been enhanced by the Commission’s development of a coordinated structure for collaborating with co-permittees and through the development of a computer-based environmental management information system that increases efficiency and collaboration, while reducing risk and providing business continuity for compliance related activities. Additionally, the Commission reconfigured the Runway 12R deicing pads to increase capacity and accessibility in concert with advocating and supporting airline efforts to increase usage of deicing locations that provide higher collection rates.

REPORT OF THE AIRPORT CONSULTANT

General

The Commission has retained LeighFisher (the “Airport Consultant”), which is recognized as an expert in its field, to prepare a report in connection with the Series 2016C/D/E Bonds and the anticipated issuance of the Series 2016C/D/E Bonds. The Report of the Airport Consultant is included as Appendix A hereto, with the Airport Consultant’s consent. The information regarding the analyses and conclusions contained in the Report of the Airport Consultant is included in the Official Statement in reliance upon the expertise of the Airport Consultant. The Report of the Airport Consultant should be read in its entirety for an understanding of the assumptions and rationale underlying the financial forecasts contained therein and the key factors impacting such forecasts. The Report of the Airport Consultant does not reflect the final terms of the Series 2016C/D/E Bonds.

The financial forecasts in the Report of the Airport Consultant are based on certain information and assumptions that were provided by, or reviewed and agreed to by, the Commission’s management. In the opinion of the Airport Consultant, these assumptions provide a reasonable basis for the forecasts.

The Report of the Airport Consultant should be read in its entirety regarding all of the assumptions used to prepare the forecasts made therein. No assurances can be given that these or any of the other assumptions contained in the Report of the Airport Consultant will occur. As noted in the Report of the Airport Consultant, any forecast is subject to uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized, and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecast and actual results, and those differences may be material. See also “INTRODUCTION—Forward-Looking Statements,” and “CERTAIN INVESTMENT CONSIDERATIONS—Assumptions in the Report of the Airport Consultant.”

Forecast of Debt Service Coverage

The following table sets forth the projected Net Revenues, debt service requirements for the Senior Bonds (including the Senior Series 2016C Bonds and the Additional Senior Bonds expected to be issued in 2019) and the Subordinate Obligations (including the Subordinate Series 2016D/E Bonds), and the coverage of such debt service requirements based upon the Net Revenues, as forecast by the Airport Consultant, for the years 2016 through 2022.

The Debt Service Requirement numbers in the following table exclude the debt service on the Senior Bonds and the Subordinate Obligations to be paid with PFCs. For a discussion of the calculation of debt service on the Senior Bonds and Subordinate Obligations paid with PFCs, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Use of PFCs to Pay Debt Service.”

The forecasted financial information in the following table was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to forecasted financial information, but, in the view of the Commission’s management, was prepared on a reasonable basis, to reflect the best currently available estimates and judgments and present, to the best of management’s knowledge and belief, the expected course of action and the expected future financial performance of the Commission. However, this information is not fact and should not be relied upon as necessarily indicative of future results, and readers of this Official Statement are cautioned not to place undue reliance on the forecasted financial information.

Neither the Commission’s independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the forecasted financial information

contained herein, nor have they expressed any opinion or any form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the forecasted financial information.

The assumptions and estimates underlying the forecasted financial information are inherently uncertain and, though considered reasonable by the management of the Commission as of the date hereof, are subject to a wide variety of significant business, economic, and competitive risks and uncertainties that could cause actual results to differ materially from those contained in the forecasted financial information, including, among others, the risks and uncertainties described under “CERTAIN INVESTMENT CONSIDERATIONS” above. Accordingly, there can be no assurance that the forecasted results are indicative of the future performance of the Commission or that actual results will not be materially higher or lower than those contained in the forecasted financial information. Inclusion of the forecasted financial information in this Official Statement should not be regarded as a representation by any person that the results contained in the forecasted financial information will be achieved.

TABLE 31
Metropolitan Airports Commission
Projected Debt Service Coverage
(dollars in thousands)

Year	Net Revenues¹	Senior Debt Service Requirement^{2,3}	Senior Debt Service Coverage	Subordinate Debt Service Requirement^{4,5}	Total Debt Service Coverage⁶
2016	\$166,606	\$49,184	339%	\$42,756	181%
2017	182,626	39,391	464	47,916	209
2018	184,660	45,837	403	49,703	193
2019	188,279	51,374	366	66,101	160
2020	197,643	51,369	385	66,051	168
2021	203,426	57,662	353	59,925	173
2022	204,341	54,246	377	70,424	164

¹ Does not include Transfer.

² Includes Senior Annual Debt Service on the Senior Bonds, including projected Senior Annual Debt Service on the Senior Series 2016C Bonds and the Additional Senior Bonds expected to be issued in 2019.

³ Excludes Senior Annual Debt Service on Senior Bonds which the Commission expects to pay with Capitalized Interest and PFCs. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Use of PFCs to Pay Debt Service.”

⁴ Includes Subordinate Annual Debt Service on the Subordinate Obligations, including projected Subordinate Annual Debt Service on the Subordinate Series 2016D/E Bonds. For purposes of the table only, the Subordinate Short-Term Obligations are assumed to be outstanding in the aggregate principal amount of \$75 million, that will be amortized over a 20-year period, and bear interest at a rate of 1.00% in 2017, 2.00% in 2018 and 3.00% thereafter.

⁵ Excludes Subordinate Annual Debt Service on Subordinate Obligations which the Commission expects to pay with Capitalized Interest and PFCs. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Use of PFCs to Pay Debt Service.”

⁶ Calculated by dividing Net Revenues by the sum of Senior Debt Service Requirement and Subordinate Debt Service Requirement.

Source: LeighFisher

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CERTAIN INVESTMENT CONSIDERATIONS

The purchase and ownership of the Series 2016C/D/E Bonds involve investment risk and may not be suitable for all investors. The factors set forth below, among others, may affect the security of the Series 2016C/D/E Bonds.

The Series 2016C/D/E Bonds are Limited Obligations

Senior Series 2016C Bonds. The Senior Series 2016C Bonds are limited obligations of the Commission payable solely from and secured by a pledge of (a) Net Revenues, (b) certain funds and accounts held by the Senior Trustee under the Senior Indenture, and (c) other amounts payable under the Senior Indenture. The Senior Series 2016C Bonds are not general obligations of the Commission. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of St. Paul, the State or any political subdivision or public agency of the State is pledged to the payment of the principal of and interest on the Senior Series 2016C Bonds. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Senior Series 2016C Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS.”

The Senior Series 2016C Bonds are payable from Revenues only after, and subordinate to, the prior payment of the Maintenance and Operation Expenses of the Airport System. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Flow of Funds.”

Subordinate Series 2016D/E Bonds. The Subordinate Series 2016D/E Bonds are limited obligations of the Commission payable solely from and secured by a pledge of (a) Subordinate Revenues, (b) certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture, and (c) other amounts payable under the Subordinate Indenture. The Subordinate Series 2016D/E Bonds are not general obligations of the Commission. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of St. Paul, the State or any political subdivision or public agency of the State is pledged to the payment of the principal of and interest on the Subordinate Series 2016D/E Bonds. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2016D/E Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS.”

The Subordinate Series 2016D/E Bonds are payable from Revenues only after, and subordinate to, the prior payment of the Maintenance and Operation Expenses of the Airport System and the payment of debt service when due on the Senior Parity Bonds and the funding of the reserve and replenishment requirements on and relating to the Senior Parity Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Flow of Funds.”

Dominance of Delta at the Airport

Delta is the dominant Air Carrier operating at the Airport, which serves as a primary hub in Delta’s route system. Delta currently leases 87 of the existing 103 full service jet gates in Terminal 1-Lindbergh. In 2015, Delta, together with its affiliated Air Carriers, accounted for approximately 73% of passenger enplanements at the Airport, and approximately 25% of the airline rentals, fees and charges component of the Airport System’s operating revenues. No other airline accounted for more than 6.3% of passenger enplanements at the Airport in 2015 or accounted for over 8.6% of the airline rentals, fees and charges component of the Airport System’s operating revenues in 2015.

The Commission has no information regarding the financial condition of Delta other than from SEC filings and press releases made by Delta. See “AIRLINE AND AIRLINE INDUSTRY INFORMATION—Delta.” No assurances can be given concerning the present or future financial viability of Delta.

Although the Commission assumes that, as a result of the Airport’s geographic location, facilities and capabilities and Delta’s investment in the Airport, the Airport is likely to remain a system hub for Delta, no assurance can be given that the Airport will continue as a system hub for Delta, regardless of Delta’s financial condition. In the event Delta discontinues or reduces its hubbing operations at the Airport, Delta’s current level of activity may not be replaced by other carriers, thereby resulting in reduced revenue collections by the Commission.

Additionally, any significant financial or operational difficulties incurred by Delta may have a material adverse effect on the Commission’s revenues and the Airport, although financial or operational difficulties by any of the other Air Carriers also may, whether directly or indirectly, have an adverse impact on the Commission’s revenues and the Airport, the effect of which may be material.

Factors Affecting the Airline Industry

General. Key factors that affect airline traffic at the Airport and the financial condition of the airlines, and, therefore, the amount of Revenues available for payment of the Series 2016C/D/E Bonds, include: local, regional, national and international economic and political conditions; international hostilities; world health concerns; aviation security concerns; airline service and routes; airline airfares and competition; airline industry economics, including labor relations and costs; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); regional, national and international environmental regulations; airline consolidation and mergers; capacity of the national air traffic control and airport systems; capacity of the Airport and competition from other airports for connecting traffic; and business travel substitutes, including teleconferencing, videoconferencing and web-casting.

The airline industry is highly cyclical and is characterized by intense competition, high operating and capital costs and varying demand. Passenger and cargo volumes are highly sensitive to general and localized economic trends, and passenger traffic varies substantially with seasonal travel patterns. The profitability of the airline industry can fluctuate dramatically from quarter to quarter and from year to year, even in the absence of catastrophic events such as the terrorist attacks of September 11, 2001 and the economic recession that occurred between 2008 and 2009. Other business decisions by airlines, such as the reduction, or elimination, of service to unprofitable markets, increasing the use of smaller, regional jets and changing hubbing strategies have also affected air traffic at the Airport and could have a more pronounced effect in the future.

In addition to revenues received from the airlines, the Commission derives a substantial portion of its revenues from concessionaires including parking operations, food and beverage concessions, retail concessions, car rental companies, and others. See “AGREEMENTS WITH AIRLINES AND OTHER CONCESSIONAIRES” and “FINANCIAL INFORMATION.” Declines in passenger traffic at the Airport may adversely affect the commercial operations of many of these concessionaires. While the Commission’s agreements with concessionaires require the concessionaires to pay a minimum annual guarantee, severe financial difficulties could lead to a failure by a concessionaire to make the required payments or could lead to the cessation of operations of such concessionaire.

Many of these factors are outside the Commission’s control. Changes in demand, decreases in aviation activity and their potential effect on enplaned passenger traffic at the Airport may result in reduced Revenues and PFCs. Following are just a few of the factors affecting the airline industry

including, regional and national economic conditions, threats of terrorism, costs of aviation fuel, and airline concentration. See also “—Aviation Security Concerns” below for additional discussion on the costs of security.

Economic Conditions. Historically, the financial performance of the air transportation industry has correlated with the state of the national and global economies. See “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT—AIRLINE TRAFFIC ANALYSIS—KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC.”

Threats of Terrorism. Recent and ongoing terrorist attacks and threats of terrorism have had, and may continue to have, a negative impact on air travel. According to news reports, terrorist attacks over the last year in Nice, Munich, Paris, Brussels and Istanbul, among other cities, have had a negative impact on tourists traveling to, and throughout, Europe and, thereby, a negative effect on airline revenues. The Commission cannot predict the likelihood of future incidents similar to the terrorist attacks of September 11, 2001 or the recent terrorist attacks in Nice, Munich, Paris, Brussels and Istanbul, the likelihood of future air transportation disruptions or the impact on the Commission or the airlines operating at the Airport from such incidents or disruptions.

Cost of Aviation Fuel. Airline earnings are significantly affected by changes in the price of aviation fuel. According to Airlines for America, fuel, along with labor costs, is one of the largest cost components of airline operations, and continues to be an important and uncertain determinate of an air carrier’s operating economics. There has been no shortage of aviation fuel since the “fuel crisis” of 1974, but any increase in fuel prices causes an increase in airline operating costs. Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world (particularly in the oil-producing nations in the Middle East and North Africa), Organization of Petroleum Exporting Countries policy, the growth of economies around the world, the levels of inventory carried by industries, the amounts of reserves maintained by governments, disruptions to production and refining facilities and weather. According to Airlines for America, for the second quarter of 2016, jet fuel accounted for approximately 15.1% of the airline industry’s operating expenses. The price of aviation fuel rose to an all-time high of approximately \$3.75 per gallon in July 2008. According to the U.S. Bureau of Transportation Statistics, the price of aviation fuel averaged approximately \$1.42 per gallon for the first nine months of 2016. Significant and prolonged increases in the cost of aviation fuel are likely to have an adverse impact on air transportation industry profitability and hamper the recovery plans and cost-cutting efforts of certain airlines.

Airline Concentration; Effect of Airline Industry Consolidation. The airline industry continues to evolve as a result of competition and changing demand patterns and it is possible the airlines serving the Airport could consolidate operations through acquisition, merger, alliances and code share sales strategies. Examples of airlines mergers occurring over the last several years include: (a) in 2008, Delta acquired Northwest and its affiliated Air Carriers, Mesaba, Pinnacle (now known as Endeavor) and Compass; (b) on October 1, 2010, United Airlines and Continental Airlines merged and United Airlines and Continental Airlines began operating as a single airline (under the United brand) in March 2012; (c) on May 2, 2011, Southwest acquired Air Tran, and Southwest and Air Tran began operating as a single airline (under the Southwest brand) in March 2012; and (d) on December 9, 2013, AMR Corporation, along with its subsidiaries American Airlines and American Eagle, merged with US Airways Group, Inc., and American and US Airways began operating as a single airline (under the American brand) in October 2015. To date none of these mergers have had any material impact on airline service or enplanements at the Airport. While these prior mergers have not had any material impact on airline service or enplanements at the Airport or on Revenues, future mergers or alliances among airlines operating at the Airport may result in fewer flights or decreases in gate utilization by one or more airlines.

Such decreases could result in reduced Revenues, reduced PFC collections and/or increased costs for the other airlines serving the Airport.

Effect of Airline Bankruptcies

General. Since December 2000, numerous airlines have filed for bankruptcy protection including, among others, Northwest, Delta, including its subsidiary Comair, Mesaba, Sun Country (which filed for protection twice), US Airways (which filed for protection twice), UAL Corporation, the parent of United, AMR Corporation, the parent of American Airlines and American Eagle, Air Canada and Frontier. Each of these airlines has emerged from bankruptcy and, except for Comair and Mesaba, continue to operate at the Airport. Republic Airlines filed for bankruptcy protection on February 25, 2016, but continues to operate at the Airport while it reorganizes under bankruptcy protection.

Assumption or Rejection of Agreements. An airline that has executed an Airline Lease Agreement or other executory contract with the Commission and seeks protection under the U.S. bankruptcy laws must assume or reject (a) its Airline Lease Agreement within 120 days after the bankruptcy filing (subject to court approval, a one-time 90-day extension is allowed (further extensions are subject to the consent of the Commission)), and (b) its other executory contracts with the Commission prior to the confirmation of a plan of reorganization.

In the event of assumption and/or assignment of any agreement to a third party, the airline would be required to cure any pre- and post-petition monetary defaults and provide adequate assurance of future performance under the applicable Airline Lease Agreement or other agreements.

Rejection of an Airline Lease Agreement or other agreement or executory contract will give rise to an unsecured claim of the Commission for damages, the amount of which in the case of an Airline Lease Agreement or other agreement is limited by the United States Bankruptcy Code generally to the amounts unpaid prior to bankruptcy plus the greater of (i) one year of rent or (ii) 15% of the total remaining lease payments, not to exceed three years. However, the amount ultimately received in the event of a rejection of an Airline Lease Agreement or other agreement could be considerably less than the maximum amounts allowed under the United States Bankruptcy Code. Certain amounts unpaid as a result of a rejection of an Airline Lease Agreement or other agreement in connection with an airline in bankruptcy, such as airfield, terminal, concourse and ramp costs would be passed on to the remaining airlines under their respective Airline Lease Agreements, thereby increasing such airlines' cost per enplanement, although there can be no assurance that such other airlines would be financially able to absorb the additional costs. In addition, payments made by an airline in bankruptcy (or by its surety) within 90 days of filing a bankruptcy case could be deemed to be an "avoidable preference" under the United States Bankruptcy Code and thus subject to recapture by the debtor or its trustee in bankruptcy, in particular if the debtor posts collateral with its surety. In general, risks associated with bankruptcy include risks of substantial delay in payment or of non-payment and the risk that the Commission may not be able to enforce any of its remedies under the agreements with a bankrupt airline

Northwest, Delta, Comair, Mesaba, Sun Country, US Airways, United, American, Air Canada and Frontier were each operating at the Airport under an Airline Lease Agreement at the time of their respective filings for bankruptcy protection. Northwest, Delta, Comair, Mesaba, US Airways, United, American, Air Canada and Frontier each assumed their respective Airline Lease Agreements when they emerged from bankruptcy protection. During its first bankruptcy proceedings, Sun Country rejected its Airline Lease Agreement, however the investor group that purchased the assets of the defunct Sun Country signed a new Airline Lease Agreement. During its second bankruptcy proceedings, Sun Country assumed its Airline Lease Agreement. Republic Airlines, which is currently operating at the Airport while it reorganizes under bankruptcy protection, has not accepted or rejected its Airline Lease

Agreement with the Commission. See also “AGREEMENTS WITH AIRLINES AND OTHER CONCESSIONAIRES.”

With respect to an airline in bankruptcy proceedings in a foreign country, the Commission is unable to predict what types of orders and/or relief could be issued by foreign bankruptcy tribunals, or the extent to which any such orders would be enforceable in the United States.

Pre-Petition Obligations. During the pendency of a bankruptcy proceeding, a debtor airline may not, absent a court order, make any payments to the Commission on account of goods and services provided prior to the bankruptcy. Thus, the Commission’s stream of payments from a debtor airline would be interrupted to the extent of pre-petition goods and services, including accrued rent and landing fees. All of the pre-petition obligations of Northwest, Delta, Comair, Mesaba, Sun Country (with respect to its second bankruptcy filing), US Airways, United, American, Air Canada and Frontier were paid in full. A portion of Mesaba’s pre-petition obligations were paid from Mesaba’s security deposit made to the Commission. At the time of Sun Country’s first bankruptcy filing, it owed the Commission approximately \$570,000 in pre-petition obligations; approximately \$72,000 of such obligations was recovered from the other Air Carriers operating at the Airport through increased landing fees, approximately \$46,000 of such obligations was recovered from an Air Carrier which leased a hangar previously leased by Sun Country, and \$451,392 of such obligations was written off as bad debt and was not recoverable. At the time of its bankruptcy filing, Republic Airlines did not owe the Commission anything.

PFCs. Pursuant to the PFC Act, the FAA has approved the Commission’s applications to require the airlines to collect and remit to the Commission a \$4.50 PFC on each enplaning revenue passenger at the Airport. See “CAPITAL IMPROVEMENT PROGRAM—Funding Sources for the 2016-17 CIP and 2018-22 CIP Projects.”

The PFC Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Commission) imposing the PFCs, except for any handling fee (which currently is \$0.11 per PFC) or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds in their respective financial statements. However, the airlines, provided they are not under bankruptcy protection, are permitted to commingle PFC collections with other revenues. The bankruptcy courts have not fully addressed such trust arrangements. Therefore, the Commission cannot predict how a bankruptcy court might rule on this matter in the event of a bankruptcy filing by one of the airlines operating at the Airport. The PFC Act requires an airline in bankruptcy protection to segregate PFC collections from all of its other revenues.

It is possible that the Commission could be held to be an unsecured creditor with respect to unremitted PFCs held by an airline that has filed for bankruptcy protection. Additionally, the Commission cannot predict whether an airline operating at the Airport that files for bankruptcy protection would have properly accounted for the PFCs owed to the Commission or whether the bankruptcy estate would have sufficient moneys to pay the Commission in full for the PFCs owed by such airline. All of the airlines that were operating at the Airport at the time of their respective filings for bankruptcy protection and during the time they operated at the Airport while under bankruptcy protection submitted to the Commission all of the PFCs collected by them. PFCs are not pledged to the repayment of the Senior Parity Bonds or the Subordinate Obligations (including the Series 2016C/D/E Bonds), however, see “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Use of PFCs to Pay Debt Service” for a discussion of the Commission’s irrevocable commitment of a portion of PFCs received by the Commission to pay debt service on the Eligible PFC Bonds.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of international hostilities (such as those that have occurred and continue to occur in the Middle East), terrorist attacks (see “—Factors Affecting the Airline Industry—Threats of Terrorism” above), increased threat levels declared by the Department of Homeland Security and world health concerns such as the Severe Acute Respiratory Syndrome (“SARS”) outbreak in 2003, the H1N1 influenza (“swine flu”) outbreak in 2009 and 2010 and the Zika virus outbreak that began in South America in 2015 and has spread to certain parts of southern Florida, may influence passenger travel behavior and air travel demand. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

The Commission cannot predict whether the Airport or any of the Reliever Airports will be targets of terrorists in the future. Additionally, the Commission cannot predict the effect of any future government-required security measures on passenger activity at the Airport.

Regulations and Restrictions Affecting the Airport

General. The operations of the Airport are affected by a variety of contractual, statutory and regulatory restrictions and limitations including, without limitation, the provisions of the Airline Lease Agreements, the federal acts authorizing the imposition, collection and use of PFCs and extensive federal legislation and regulations applicable to all airports in the United States. In the aftermath of the terrorist attacks of September 11, 2001, the Airport also has been required to implement enhanced security measures mandated by the FAA, the Department of Homeland Security and Airport management.

It is not possible to predict whether future restrictions or limitations on Airport operations will be imposed, whether future legislation or regulations will affect anticipated federal funding or PFC collections for capital projects for the Airport, whether additional requirements will be funded by the federal government or require funding by the Commission, or whether such restrictions or legislation or regulations would adversely affect Revenues. See “—Aviation Security Concerns” above, “CAPITAL IMPROVEMENT PROGRAM—Funding Sources for the 2016-17 CIP and 2018-22 CIP Projects—Passenger Facility Charges” and “—Federal and State Grants.”

Restrictions on Use of Runway 17/35. In July 2015, the FAA temporarily suspended the use of Runway 17/35 to planes arriving from the south when flights are taking off from Runway 12R/30L, which approaches the northern end of Runway 17/35 from the southeast. The suspension was not the result of a specific event. It was based on a National Transportation Safety Board recommendation to modify arrival and departure procedures at airports with runway configurations that create intersecting flight paths. These intersecting paths pose potential risks if a landing aircraft discontinues its approach and must go around, crossing the departure flight path for the other runway. The suspension reduced the Airport’s capacity to receive arriving aircraft when flights are landing and departing in a northerly direction. Arriving aircraft rarely use Runway 17/35, but when in use for landings, the maximum hourly arrival rate could be reduced to between 60 and 64 aircraft, down from a previous maximum of 90 aircraft.

On August 28, 2015, the FAA ended the temporary suspension and began allowing limited arrivals on Runway 17/35. To comply with the new safety requirements, arrivals on Runway 17/35 and departures on Runway 12R/30L must be alternated. Subsequently, the FAA also determined that Runway 12L/30R does not meet the new converging runway separation requirements for Runway 17/35 aborted landings. On February 29, 2016, the FAA instituted additional procedures requiring arrivals on Runway

17/35 and departures on Runway 12L/30R be alternated. The resumption of arrivals to Runway 17/35 could result in an 15-18% increase in capacity under optimum conditions. These changes will enable the Airport to safely accommodate more arriving aircraft. The Commission cannot predict if the FAA will impose additional limitations on the use of the runways at the Airport and what affect those restrictions may have on operations at the Airport or on Revenues.

Ability to Meet Rate Covenants

As discussed in “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Senior Bonds—Senior Rate Covenant” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Subordinate Obligations—Subordinate Rate Covenant” the Commission has covenanted in the Master Senior Indenture and the Master Subordinate Indenture to establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that during each Fiscal Year the respective rate covenants set forth in the Maser Senior Indenture and the Master Subordinate Indenture is met. In addition to Net Revenues and Subordinate Revenues, the Commission expects to use certain PFCs to pay the debt service on the Senior Bonds and the Subordinate Obligations. See “—Availability of PFCs” below. If PFCs have been irrevocably committed or are otherwise used to pay principal of and/or interest on the Senior Bonds or the Subordinate Obligations, the principal and/or interest on such Senior Bonds and Subordinate Obligations is excluded from the calculation of Senior Aggregate Annual Debt Service and Subordinate Aggregate Annual Debt Service; thus decreasing Senior Aggregate Annual Debt Service or Subordinate Aggregate Annual Debt Service, as applicable, and increasing debt service coverage for purposes of the rate covenants under the Master Senior Indenture and the Master Subordinate Indenture. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Use of PFCs to Pay Debt Service.”

If Net Revenues or Subordinate Revenues (and PFCs expected to be used to pay debt service) were to fall below the levels necessary to meet the rate covenants, the Master Senior Indenture and the Master Subordinate Indenture provide for procedures under which the Commission would retain and direct a Consultant to make recommendations as to the revision of the Commission’s business operations and its schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Commission in connection with the Airport System, and after receiving such recommendations or giving reasonable opportunity for such recommendations to be made, the Commission is required to take all lawful measures to revise the schedule of rentals, rates, fees and charges as may be necessary to meet the rate covenant. Increasing the schedule of rentals, rates, fees and charges for the use of the Airport System and for services rendered by the Commission in connection with the Airport System is subject to contractual, statutory and regulatory restrictions (see “—Regulations and Restrictions Affecting the Airport” above). Implementation of an increase in the schedule of rentals, rates, fees and charges for the use of the Airport could have a detrimental impact on the operation of the Airport by making the cost of operating at the Airport unattractive to airlines (including using the Airport for hubbing activities), concessionaires and others in comparison to other airports, or by reducing the operating efficiency of the Airport. Notwithstanding this potential detrimental impact, the Airline Lease Agreements acknowledge the existence of the rate covenant under the Senior Indenture (which includes the payment of debt service on the Subordinate Obligations, but does not include the requirement that Subordinate Revenues must equal 110% of Annual Debt Service on the Subordinate Obligations) and include an agreement by the Signatory Airlines to pay such rentals, rates, fees and charges. The Airline Lease Agreements do not address the rate covenant under the Master Subordinate Indenture.

Availability of PFCs

In addition to the use of Net Revenues, the Commission expects to use between \$9.2 million and \$10.7 million of PFCs each Fiscal Year between Fiscal Years 2016 and 2022, respectively, to pay a portion (approximately 19%) of the debt service on the Senior Bonds. In addition to the use of Subordinate Revenues, the Commission expects to use between \$16.6 million and \$17.9 million of PFCs each Fiscal Year between Fiscal Years 2016 and 2022, respectively, to pay a portion (approximately 29-34%) of the debt service on the Subordinate Obligations. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Use of PFCs to Pay Debt Service” and “—Ability to Meet Rate Covenants” above. Additionally, the Commission expects to use approximately \$358 million of PFCs to finance a portion of the costs of the 2016-17 CIP and the 2018-22 CIP projects.

The amount of PFC revenue received by the Commission in future years will vary based upon the actual number of PFC-eligible passenger enplanements at the Airport. No assurance can be given that any level of enplanements will be realized. See “—Factors Affecting the Airline Industry” above. See also “CAPITAL IMPROVEMENT PROGRAM—Funding Sources for the 2016-17 CIP and the 2018-22 CIP Projects—Passenger Facility Charges” and “—Ability to Meet Rate Covenants” above. Additionally, the FAA may terminate the Commission’s authority to impose the PFC, subject to informal and formal procedural safeguards, if (a) PFC revenues are not being used for approved projects in accordance with the FAA’s approval, the PFC Act or the PFC Regulations, or (b) the Commission otherwise violates the PFC Act or the PFC Regulations. The Commission’s authority to impose a PFC may also be terminated if the Commission violates certain provisions of the Airport Noise and Capacity Act of 1990 (the “ANCA”) and its implementing regulations relating to the implementation of noise and access restrictions for certain types of aircraft. The regulations under ANCA also contain procedural safeguards to ensure that the Commission’s authority to impose a PFC would not be summarily terminated. No assurance can be given that the Commission’s authority to impose a PFC will not be terminated by Congress or the FAA, that the PFC program will not be modified or restricted by Congress or the FAA so as to reduce PFC revenues available to the Commission or that the Commission will not seek to decrease the amount of PFCs to be collected, provided such decrease does not violate the Commission’s covenant in the PFC Resolution. A shortfall in PFC revenues may cause the Commission to increase rates and charges at the Airport to meet the debt service requirements on the Senior Bonds and the Subordinate Obligations that the Commission plans to pay from PFCs, and/or require the Commission to identify other sources of funding for its capital program, including issuing Additional Senior Bonds and/or Additional Subordinate Obligations, to finance the pay-as-you-go projects currently expected to be paid with PFC revenues.

The PFC Act also provides that for certain classes of airports, including the Airport, federal AIP entitlement funds will be reduced by 50% following the imposition of a PFC of \$3.00 or less and will be reduced by 75% following the imposition of a PFC greater than \$3.00. The Commission currently collects a PFC of \$4.50.

Availability of Funding for the Capital Improvement Program

The Commission’s plan of finance assumes that proceeds of Additional Senior Bonds and Additional Subordinate Obligations, PFC revenues on a pay-as-you-go basis, federal and State grants, and other available revenues of the Commission (including certain amounts to be on deposit in the Repair and Replacement Account), will be received by the Commission in certain amounts and at certain times to pay the costs of the 2016-17 CIP and the 2018-22 CIP projects. See “CAPITAL IMPROVEMENT PROGRAM—Funding Sources for the 2016-17 CIP and the 2018-22 CIP Projects.” No assurance can be given that these sources of funding will be available in the amounts or on the schedule assumed. See “—Availability of PFCs” above.

To the extent that any portion of the funding assumed in the plan of finance for the 2016-17 CIP and the 2018-22 CIP projects is not available as anticipated, the Commission may be required to defer or remove certain of the 2016-17 CIP and the 2018-22 CIP projects or issue Additional Senior Bonds and/or Additional Subordinate Obligations to pay the costs of such projects.

Federal Funding; Impact of Federal Sequestration

On February 6, 2012, Congress passed a four-year reauthorization bill for the FAA, the “FAA Modernization and Reform Act of 2012” (the “2012 FAA Reauthorization”) which was signed into law on February 14, 2012 by the President. The 2012 FAA Reauthorization had an original expiration date of September 30, 2015. This was the first long-term FAA authorization since the last such authorization expired in 2007. Between 2007 and the 2012 reauthorization, there were 23 short-term extensions of the FAA’s authority and a two-week partial shutdown of the FAA in the summer of 2011. Similarly, the 2012 FAA Reauthorization has been extended three times, most recently on July 15, 2016, and now expires on September 30, 2017. The 2012 FAA Reauthorization, and the three extensions, retained the federal cap on Passenger Facility Charges at \$4.50 and continued funding for AIP through September 30, 2017. The AIP provides federal capital grants to support airport infrastructure, including entitlement grants (determined by formulas based on passenger, cargo, and general aviation activity levels) and discretionary grants (allocated on the basis of specific set-asides and the national priority ranking system). There can be no assurance that the FAA will receive spending authority beyond the September 30, 2017 extension. In addition, the AIP could be affected by the automatic across-the-board spending cuts, known as sequestration, described in more detail below. The Commission is unable to predict the level of available AIP funding it may receive. If there is a reduction in the amount of AIP grants awarded to the Commission for the Airport, such reduction could (i) increase by a corresponding amount the capital expenditures that the Commission would need to fund from other sources (including operating revenues, Additional Senior Bonds and/or Additional Subordinate Obligations), (ii) result in decreases to the 2016-17 CIP and/or the 2018-22 CIP projects or (iii) extend the timing for completion of certain projects. See “CAPITAL IMPROVEMENTS PROGRAM—Funding Sources for the 2016-17 CIP and the 2018-22 CIP Projects.”

Federal funding received by the Commission and aviation operations could be adversely affected by the implementation of sequestration – a unique budgetary feature first introduced in the Budget Control Act of 2011, which, among other things, reduced spending for most federal programs.

Sequestration could also adversely affect FAA and TSA budgets, operations and the availability of certain federal grant funds typically received annually by the Commission which may cause the FAA or TSA to implement furloughs of its employees and hiring freezes, including air traffic controllers, and result in flight delays and flight cancellations, implement hiring freezes.

Between 2011 and 2015, the Commission received, on average, approximately \$17 million of grants per year from the FAA and the TSA. The Commission is unable to predict future sequestration funding cuts or furloughs or the impact of such actions on the Airport’s airline traffic, grant receipts and Revenues. The Commission intends to take any commercially reasonable measures necessary to continue smooth operation of the Airport.

Additionally, in 2015, the Commission entered into a taxable equipment lease/purchase agreement in the principal amount of \$11,737,000. A portion of the interest payable by the Commission under the agreement is eligible for a direct interest rate subsidy from the U.S. government. As a result of the ongoing sequestration, the subsidy receivable by the Commission in 2016 has been reduced by 6.8% or approximately \$66,670.

Potential Limitation of Tax Exemption of Interest on Series 2016C/D Bonds

From time to time, the President of the United States, the United States Congress and/or state legislatures have proposed and could propose in the future, legislation that, if enacted, could cause interest on the Series 2016C/D Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. Clarifications of the Internal Revenue Code of 1986, as amended, or court decisions may also cause interest on the Series 2016C/D Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation. The introduction or enactment of any such legislative proposals or any clarification of the Internal Revenue Code of 1986, as amended, or court decisions may also affect the market price for, or marketability of, the Series 2016C/D Bonds. Prospective purchasers of the Series 2016C/D Bonds should consult their own tax advisors regarding any such pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion. See “TAX MATTERS—Changes in Federal and State Tax Law.”

Income Taxation Risk Upon Defeasance of the Subordinate Series 2016E Bonds

In the event the Commission were to defease all or a portion of the Subordinate Series 2016E Bonds, for federal income tax purposes, the Subordinate Series 2016E Bonds that are the subject of such a defeasance may be deemed to be retired and “reissued” as a result of the defeasance. In such an event, a bondholder who owns such a Subordinate Series 2016E Bond may recognize gain or loss on the Subordinate Series 2016E Bond at the time of defeasance. Holders who own Subordinate Series 2016E Bonds should consult their own tax advisors regarding the tax consequences of a defeasance of the Subordinate Series 2016E Bonds. See “TAX MATTERS—Subordinate Series 2016E Bonds (Taxable)—Defeasance.”

No Acceleration

Senior Events of Default under the Senior Indenture and related remedies are described herein under “APPENDIX C-2—SUMMARY OF THE MASTER SENIOR INDENTURE—Defaults and Remedies,” and Subordinate Events of Default under the Subordinate Indenture and related remedies are described herein under “APPENDIX C-4—SUMMARY OF THE MASTER SUBORDINATE INDENTURE—Defaults and Remedies.” The occurrence of a Senior Event of Default and/or Subordinate Event of Default does not grant any right to accelerate payment of the Senior Series 2016C Bonds or the Subordinate Series 2016D/E Bonds. Since Net Revenues are Revenues net of all amounts needed to pay Maintenance and Operation Expenses, and the Commission is not subject to involuntary bankruptcy proceedings, the Commission may be able to continue indefinitely collecting Revenues and applying them to the operation of the Airport even if a Senior Event of Default and/or Subordinate Event of Default has occurred and no payments are being made on the Series 2016C/D/E Bonds.

Assumptions in the Report of the Airport Consultant

The Report of the Airport Consultant incorporates numerous assumptions as to the utilization of the Airport and other matters and states that any forecast is subject to uncertainties. The Report of the Airport Consultant should be read in its entirety regarding all of the assumptions used to prepare the forecasts made therein. No assurances can be given that the assumptions contained in the Report of the Airport Consultant will occur. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, the actual results achieved during the forecast period will vary, and the variations may be material. Additionally, the Report of the Airport Consultant does not reflect the final terms of the Series 2016C/D/E Bonds. See “REPORT OF

AIRPORT CONSULTANT” and “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT.” For a discussion of the key factors affecting future airline traffic at the Airport as discussed in the Report of the Airport Consultant see “APPENDIX A—REPORT OF THE AIRPORT CONSULTANT—AIRLINE TRAFFIC ANALYSIS—KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC.”

Forward-Looking Statements

This Official Statement contains statements relating to future results that are “forward looking statements”. When used in this Official Statement, the words “estimate,” “anticipate,” “forecast,” “project,” “intend,” “propose,” “plan,” “expect,” and similar expressions identify forward looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements. See “INTRODUCTION—Forward-Looking Statements.”

Any financial projections set forth in this Official Statement were not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to the prospective financial information. The Commission’s independent auditors have not compiled, examined, or performed any procedures with respect to the prospective financial information contained in this Official Statement, nor have they expressed any opinion or any other form of assurance on such information or its achievability. The Commission’s independent auditors have not been consulted in connection with the preparation of any financial projections contained in this Official Statement and the Commission’s independent auditors assume no responsibility for its content.

TAX MATTERS

Series 2016C/D Bonds (Tax-Exempt)

General.

Senior Series 2016C Bonds. In the opinion of Kutak Rock LLP, Bond Counsel to the Commission (“Bond Counsel”), under existing laws, regulations, rulings and judicial decisions, interest on the Senior Series 2016C Bonds is excluded from gross income for federal income tax purposes and is not a specific item of tax preference for purposes of the federal alternative minimum tax. The opinions described in the preceding sentence assume the accuracy of certain representations and compliance by the Commission with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be met subsequent to the issuance of the Senior Series 2016C Bonds. Failure to comply with such requirements could cause interest on the Senior Series 2016C Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Senior Series 2016C Bonds. The Commission will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Senior Series 2016C Bonds.

Notwithstanding Bond Counsel’s opinion that interest on the Senior Series 2016C Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax, such interest will be included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations’ adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

Bond Counsel is further of the opinion that (a) interest on the Senior Series 2016C Bonds is not includible in the taxable net income of individuals, estates and trusts for State of Minnesota income tax

purposes, but is includable in the calculation of taxable income of corporations and financial institutions for State of Minnesota franchise tax purposes, and (b) interest on the Senior Series 2016C Bonds is not a specific tax preference item for purposes of the State of Minnesota alternative minimum tax applicable to individuals, estates and trusts.

Subordinate Series 2016D Bonds. In the opinion of Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2016D Bonds is excluded from gross income for federal income tax purposes, except for interest on any Subordinate Series 2016D Bond for any period during which such Subordinate Series 2016D Bond is held by a “substantial user” of the facilities financed or refinanced by the Subordinate Series 2016D Bonds or by a “related person” within the meaning of Section 147(a) of the Code. Bond Counsel is further of the opinion that interest on the Subordinate Series 2016D Bonds is a specific item of tax preference for purposes of the federal alternative minimum tax. The opinions described in the preceding sentences assume the accuracy of certain representations and compliance by the Commission with covenants designed to satisfy the requirements of the Code, that must be met subsequent to the issuance of the Subordinate Series 2016D Bonds. Failure to comply with such requirements could cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Commission will covenant to comply with such requirements. Bond Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Subordinate Series 2016D Bonds.

Bond Counsel is further of the opinion that (a) interest on the Subordinate Series 2016D Bonds is not includible in the taxable net income of individuals, estates and trusts for State of Minnesota income tax purposes, but is includable in the calculation of taxable income of corporations and financial institutions for State of Minnesota franchise tax purposes, and (b) interest on the Subordinate Series 2016D Bonds is a specific tax preference item for purposes of the State of Minnesota alternative minimum tax applicable to individuals, estates and trusts.

Special Considerations With Respect to the Series 2016C/D Bonds. The accrual or receipt of interest on the Series 2016C/D Bonds may otherwise affect the federal income tax liability of the owners of the Series 2016C/D Bonds. The extent of these other tax consequences will depend upon such owner’s particular tax status and other items of income or deduction. Bond Counsel has expressed no opinion regarding any such consequences. Purchasers of the Series 2016C/D Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers otherwise entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Series 2016C/D Bonds.

Backup Withholding. As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2016C/D Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2016C/D Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Tax Treatment of Original Issue Premium. The Series 2016C/D Bonds are being sold at a premium. An amount equal to the excess of the issue price of a Series 2016C/D Bond over its stated redemption price at maturity constitutes premium on such Series 2016C/D Bond. An initial purchaser of a Series 2016C/D Bond must amortize any premium over such Series 2016C/D Bond's term using constant yield principles, based on the purchaser's yield to maturity (or, in the case of Series 2016C/D Bonds callable prior to their maturity, by amortizing the premium to the call date, based on the purchaser's yield to the call date and giving effect to the call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest for the period and the purchaser's basis in such Series 2016C/D Bond is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2016C/D Bond prior to its maturity. Even though the purchaser's basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Series 2016C/D Bonds should consult with their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Series 2016C/D Bond.

Subordinate Series 2016E Bonds (Taxable)

The following is a summary of certain anticipated federal income tax consequences of the purchase, ownership and disposition of the Subordinate Series 2016E Bonds under the Code and the Regulations, and the judicial and administrative rulings and court decisions now in effect, all of which are subject to change or possible differing interpretations. The summary does not purport to address all aspects of federal income taxation that may affect particular investors in light of their individual circumstances, nor certain types of investors subject to special treatment under the federal income tax laws.

Potential purchasers of the Subordinate Series 2016E Bonds should consult their own tax advisors in determining the federal, state or local tax consequences to them of the purchase, holding and disposition of the Subordinate Series 2016E Bonds.

General Matters. Interest on the Subordinate Series 2016E Bonds is included in gross income for federal income tax purposes. Bond Counsel has expressed no opinion regarding any federal tax consequences arising with respect to the purchase, holding, accrual or receipt of interest on or disposition of the Subordinate Series 2016E Bonds.

In general, interest paid on the Subordinate Series 2016E Bonds, original issue discount, if any, and market discount, if any, will be treated as ordinary income to the owners of the Subordinate Series 2016E Bonds, and principal payments (excluding the portion of such payments, if any, characterized as original issue discount or accrued market discount) will be treated as a return of capital.

Bond Premium. An investor that acquires a Subordinate Series 2016E Bond for a cost greater than its remaining stated redemption price at maturity and holds such bond as a capital asset will be considered to have purchased such bond at a premium and, subject to prior election permitted by Section 171(c) of the Code, may generally amortize such premium under the constant yield method. Except as may be provided by regulation, amortized premium will be allocated among, and treated as an offset to, interest payments. The basis reduction requirements of Section 1016(a)(5) of the Code apply to amortizable bond premium that reduces interest payments under Section 171 of the Code. Bond premium is generally amortized over the bond's term using constant yield principles, based on the purchaser's yield to maturity. Investors of any Subordinate Series 2016E Bond purchased with a bond premium should consult their own tax advisors as to the effect of such bond premium with respect to their own tax situation and as to the treatment of bond premium for state tax purposes.

Market Discount. An investor that acquires a Subordinate Series 2016E Bond for a price less than the adjusted issue price of such bond (or an investor who purchases a Subordinate Series 2016E Bond in the initial offering at a price less than the issue price) may be subject to the market discount rules of Sections 1276 through 1278 of the Code. Under these sections and the principles applied by the Regulations, “market discount” means (a) in the case of a Subordinate Series 2016E Bond originally issued at a discount, the amount by which the issue price of such bond, increased by all accrued original issue discount (as if held since the issue date), exceeds the initial tax basis of the owner therein, less any prior payments that did not constitute payments of qualified stated interest, and (b) in the case of a Subordinate Series 2016E Bond not originally issued at a discount, the amount by which the stated redemption price of such bond at maturity exceeds the initial tax basis of the owner therein. Under Section 1276 of the Code, the owner of such a Subordinate Series 2016E Bond will generally be required (i) to allocate each principal payment to accrued market discount not previously included in income and, upon sale or other disposition of the bond, to recognize the gain on such sale or disposition as ordinary income to the extent of such cumulative amount of accrued market discount as of the date of sale or other disposition of such a bond or (ii) to elect to include such market discount in income currently as it accrues on all market discount instruments acquired by such owner on or after the first day of the taxable year to which such election applies.

The Code authorizes the Treasury Department to issue regulations providing for the method for accruing market discount on debt instruments the principal of which is payable in more than one installment. Until such time as regulations are issued by the Treasury Department, certain rules described in the legislative history will apply. Under those rules, market discount will be included in income either (a) on a constant interest basis or (b) in proportion to the accrual of stated interest or, in the case of a Subordinate Series 2016E Bond with original issue discount, in proportion to the accrual of original issue discount.

An owner of a Subordinate Series 2016E Bond that acquired such bond at a market discount also may be required to defer, until the maturity date of such bond or its earlier disposition in a taxable transaction, the deduction of a portion of the amount of interest that the owner paid or accrued during the taxable year on indebtedness incurred or maintained to purchase or carry such bond in excess of the aggregate amount of interest (including original issue discount) includable in such owner’s gross income for the taxable year with respect to such bond. The amount of such net interest expense deferred in a taxable year may not exceed the amount of market discount accrued on the Subordinate Series 2016E Bond for the days during the taxable year on which the owner held such bond and, in general, would be deductible when such market discount is includable in income. The amount of any remaining deferred deduction is to be taken into account in the taxable year in which the Subordinate Series 2016E Bond matures or is disposed of in a taxable transaction. In the case of a disposition in which gain or loss is not recognized in whole or in part, any remaining deferred deduction will be allowed to the extent gain is recognized on the disposition. This deferral rule does not apply if the owner elects to include such market discount in income currently as it accrues on all market discount obligations acquired by such owner in that taxable year or thereafter.

Attention is called to the fact that Treasury regulations implementing the market discount rules have not yet been issued. Therefore, investors should consult their own tax advisors regarding the application of these rules as well as the advisability of making any of the elections with respect thereto.

Sales or Other Dispositions. If an owner of a Subordinate Series 2016E Bond sells the bond, such person will recognize gain or loss equal to the difference between the amount realized on such sale and such owner’s basis in such bond. Ordinarily, such gain or loss will be treated as a capital gain or loss.

If the terms of a Subordinate Series 2016E Bond were materially modified, in certain circumstances, a new debt obligation would be deemed created and exchanged for the prior obligation in a taxable transaction. Among the modifications that may be treated as material are those that relate to redemption provisions and, in the case of a nonrecourse obligation, those which involve the substitution of collateral. Each potential owner of a Subordinate Series 2016E Bond should consult its own tax advisor concerning the circumstances in which such bond would be deemed reissued and the likely effects, if any, of such reissuance.

Defeasance. The legal defeasance of the Subordinate Series 2016E Bonds may result in a deemed sale or exchange of such bonds under certain circumstances. Owners of such Subordinate Series 2016E Bonds should consult their tax advisors as to the federal income tax consequences of such a defeasance.

Unearned Income Medicare Contribution Tax. Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8% of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of “modified adjusted gross income” of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the Subordinate Series 2016E Bonds should consult with their tax advisor concerning this additional tax as it may apply to interest earned on the Subordinate Series 2016E Bonds as well as gain on the sale of a Subordinate Series 2016E Bond.

Backup Withholding. An owner of a Subordinate Series 2016E Bond may be subject to backup withholding at the applicable rate determined by statute with respect to interest paid with respect to the Subordinate Series 2016E Bonds, if such owner, upon issuance of the Subordinate Series 2016E Bonds, fails to provide to any person required to collect such information pursuant to Section 6049 of the Code with such owner’s taxpayer identification number, furnishes an incorrect taxpayer identification number, fails to report interest, dividends or other “reportable payments” (as defined in the Code) properly, or, under certain circumstances, fails to provide such persons with a certified statement, under penalty of perjury, that such owner is not subject to backup withholding.

Foreign Investors. An owner of a Subordinate Series 2016E Bond that is not a “United States person” (as defined below) and is not subject to federal income tax as a result of any direct or indirect connection to the United States of America in addition to its ownership of a Subordinate Series 2016E Bond will generally not be subject to United States income or withholding tax in respect of a payment on a Subordinate Series 2016E Bond, provided that the owner complies to the extent necessary with certain identification requirements (including delivery of a statement, signed by the owner under penalties of perjury, certifying that such owner is not a United States person and providing the name and address of such owner). For this purpose the term “United States person” means a citizen or resident of the United States of America, a corporation, partnership or other entity created or organized in or under the laws of the United States of America or any political subdivision thereof, or an estate or trust whose income from sources within the United States of America is includable in gross income for United States of America income tax purposes regardless of its connection with the conduct of a trade or business within the United States of America.

Except as explained in the preceding paragraph and subject to the provisions of any applicable tax treaty, a 30% United States withholding tax will apply to interest paid and original issue discount accruing on Subordinate Series 2016E Bonds owned by foreign investors. In those instances in which payments of interest on the Subordinate Series 2016E Bonds continue to be subject to withholding, special rules apply with respect to the withholding of tax on payments of interest on, or the sale or

exchange of Subordinate Series 2016E Bonds having original issue discount and held by foreign investors. Potential investors that are foreign persons should consult their own tax advisors regarding the specific tax consequences to them of owning a Subordinate Series 2016E Bond.

Tax-Exempt Investors. In general, an entity that is exempt from federal income tax under the provisions of Section 501 of the Code is subject to tax on its unrelated business taxable income. An unrelated trade or business is any trade or business that is not substantially related to the purpose that forms the basis for such entity's exemption. However, under the provisions of Section 512 of the Code, interest may be excluded from the calculation of unrelated business taxable income unless the obligation that gave rise to such interest is subject to acquisition indebtedness. Therefore, except to the extent any owner of a Subordinate Series 2016E Bond incurs acquisition indebtedness with respect to such bond, interest paid or accrued with respect to such owner may be excluded by such tax-exempt owner from the calculation of unrelated business taxable income. Each potential tax-exempt holder of a Subordinate Series 2016E Bond is urged to consult its own tax advisor regarding the application of these provisions.

Minnesota State Law. Interest on the Subordinate Series 2016E Bonds is includible in the taxable net income of individuals, estates and trusts for State of Minnesota income tax purposes, and is includable in the calculation of taxable income of corporations and financial institutions for State of Minnesota franchise tax purposes.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX MATTERS" or adversely affect the market value of the Series 2016C/D/E Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Series 2016C/D/E Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2016C/D/E Bonds or the market value thereof would be impacted thereby. Purchasers of the Series 2016C/D/E Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2016C/D/E Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

CERTAIN ERISA CONSIDERATIONS

The Employee Retirement Income Security Act of 1974, as amended ("ERISA"), imposes certain requirements on "employee benefit plans" (as defined in Section 3(3) of ERISA) subject to ERISA, including entities such as collective investment funds and separate accounts whose underlying assets include the assets of such plans (collectively, "ERISA Plans") and on those persons who are fiduciaries with respect to ERISA Plans. Investments by ERISA Plans are subject to ERISA's general fiduciary requirements, including the requirement of investment prudence and diversification and the requirement that an ERISA Plan's investments be made in accordance with the documents governing the ERISA Plan. The prudence of any investment by an ERISA Plan in the Subordinate Series 2016E Bonds must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and all of the facts and circumstances of the investment. Government and non-

electing church plans are generally not subject to ERISA. However, such plans may be subject to similar or other restrictions under state or local law.

In addition, ERISA and the Code generally prohibit certain transactions between an ERISA Plan or a qualified employee benefit plan under the Code and persons who, with respect to that plan, are fiduciaries or other “parties in interest” within the meaning of ERISA or “disqualified persons” within the meaning of the Code. In the absence of an applicable statutory, class or administrative exemption, transactions between an ERISA Plan and a party in interest with respect to an ERISA Plan, including the acquisition by one from the other of the Subordinate Series 2016E Bonds could be viewed as violating those prohibitions. In addition, Section 4975 of the Code prohibits transactions between certain tax-favored vehicles such as Individual Retirement Accounts and disqualified persons. Section 503 of the Code includes similar restrictions with respect to governmental and church plans. In this regard, the Department or any dealer of the Subordinate Series 2016E Bonds might be considered or might become a “party in interest” within the meaning of ERISA or a “disqualified person” within the meaning of the Code, with respect to an ERISA Plan or a plan or arrangement subject to Sections 4975 or 503 of the Code. Prohibited transactions within the meaning of ERISA and the Code may arise if the Subordinate Series 2016E Bonds are acquired by such plans or arrangements with respect to which the Department or any dealer is a party in interest or disqualified person.

In all events, fiduciaries of ERISA Plans and plans or arrangements subject to the above sections of the Code, in consultation with their advisors, should carefully consider the impact of ERISA and the Code on an investment in the Subordinate Series 2016E Bonds. The sale of the Subordinate Series 2016E Bonds to a plan is in no respect a representation by the Department or the Underwriters that such an investment meets the relevant legal requirements with respect to benefit plans generally or any particular plan. Any plan proposing to invest in the Subordinate Series 2016E Bonds should consult with its counsel to confirm that such investment is permitted under the plan documents and will not result in a non-exempt prohibited transaction and will satisfy the other requirements of ERISA, the Code and other applicable law.

LITIGATION

No Litigation Relating to the Series 2016C/D/E Bonds

There is no litigation now pending or, to the best of the Commission’s knowledge, threatened which seeks to restrain or enjoin the sale, execution, issuance or delivery of the Series 2016C/D/E Bonds or in any way contests the validity of the Series 2016C/D/E Bonds or any proceedings of the Commission taken with respect to the authorization, sale or issuance of the Series 2016C/D/E Bonds, or the pledge or application of any moneys provided for the payment of or security for the Series 2016C/D/E Bonds.

Litigation Relating to the Commission and the Airport System

O’Neill Noise Litigation. On March 10, 2010, a suit was filed by the O’Neill Family, owners of a farm located off the extended centerline of Runway 17/35, against the Commission, the City of Bloomington and other interested parties, claiming that their property was the subject of a “taking” without just compensation arising from (a) the adoption of an airport zoning regulation on May 3, 2004 (the “Zoning Taking”), and (b) an avigational easement as a result of the overflight of planes originating from Runway 17/35 (the “Noise Taking”). The O’Neill Family claimed damages of approximately \$17.8 million with respect to the Zoning Taking and approximately \$630,000 with respect to the Noise Taking. In March 2012, a trial was held in Minnesota District Court with respect to both the Zoning Taking and the Noise Taking. On August 31, 2012, the District Court ruled that (1) the O’Neill Family failed to establish a regulatory taking under applicable law with respect to the Zoning Taking, but (2) the O’Neill

Family did establish that the Noise Taking did occur and ordered the Commission to commence condemnation proceedings to acquire the necessary avigational easement on the O'Neill's property. The Commission and the O'Neill Family appealed the District Court's rulings, and on March 3, 2014, the Minnesota Court of Appeals affirmed the District Court's rulings. The O'Neill Family subsequently filed a petition for review with the Minnesota Supreme Court, which was denied. The Commission commenced condemnation proceedings in March 2015. A hearing before the condemnation commissioners was initially scheduled to occur in March 2016 (with appraisals to be exchanged in February 2016), but in January 2016, the O'Neill Family notified the Commission that they had terminated their appraiser due to non-performance. This resulted in a postponement of the hearing before the condemnation commissioners until December 2016 and a postponement of the exchange of appraisals until November 2016. The Commission cannot predict the ultimate outcome of these condemnation proceedings.

Other Litigation. There also are a number of other litigation matters pending against the Commission for incidents at the Airport System. These claims and suits are of a nature usually incident to the operation of the Airport System and, in the aggregate, in the opinion of Airport management, based upon the advice of the General Counsel to the Commission, will not have a material adverse effect on the Net Revenues or financial condition of the Airport System. It should be noted that a portion of the claims relating to personal injuries and property damage are covered by a comprehensive insurance program maintained by the Commission for the Airport System.

There are no material claims or litigation arising out of or challenging any federal grants held by the Commission to date.

RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), and Fitch Ratings ("Fitch") have assigned ratings of "AA-" (stable outlook) and "AA-" (stable outlook), respectively, to the Senior Series 2016C Bonds.

S&P and Fitch have assigned ratings of "A+" (stable outlook) and "A+" (stable outlook), respectively, to the Subordinate Series 2016D/E Bonds.

Such ratings reflect only the views of such organizations and any explanation of the meaning and significance of such ratings, including the methodology used and any outlook thereon, should be obtained from the rating agency furnishing the same, at the following addresses: S&P Global Ratings, 55 Water Street, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, NY 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The respective ratings are not a recommendation to buy, sell or hold the Series 2016C/D/E Bonds. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2016C/D/E Bonds.

LEGAL MATTERS

The validity of the Series 2016C/D/E Bonds and certain other legal matters are subject to the approving opinion of Kutak Rock LLP, Bond Counsel to the Commission. Complete copies of the proposed forms of Bond Counsel's opinions are contained in Appendix E hereto. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of this Official Statement. Certain

matters will be passed upon for the Commission by Thomas W. Anderson, Esq., General Counsel to the Commission. Certain legal matters will be passed upon for the Commission by Kutak Rock LLP, as Disclosure Counsel to the Commission. Certain legal matters will be passed upon for the Underwriters by Barnes & Thornburg LLP and McGrann Shea Carnival Straughn & Lamb, Chartered. All of the fees of Bond Counsel, Disclosure Counsel and Underwriters' Counsel with regard to the issuance of the Series 2016C/D/E Bonds are contingent upon the issuance and delivery of the Series 2016C/D/E Bonds.

FINANCIAL ADVISOR

The Commission has retained the services of Jefferies LLC, New York, New York, as Financial Advisor, in connection with the issuance of the Series 2016C/D/E Bonds. The Financial Advisor is not contractually obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement. Fees of the Financial Advisor with regard to the issuance of the Series 2016C/D/E Bonds are contingent upon the issuance and delivery of the Series 2016C/D/E Bonds.

CONTINUING DISCLOSURE

The Commission will covenant to provide such annual financial statements and other information in the manner required by Rule 15c2-12 of the SEC (17 C.F.R. § 240.15c2-12) ("Rule 15c2-12"). The Commission will enter into an undertaking (the "Undertaking") for the benefit of the holders of the Series 2016C/D/E Bonds to provide certain financial information and operating data concerning the Commission, the Airport and certain other obligated persons, including Delta, and notices of certain enumerated events to the Municipal Securities Rulemaking Board (the "MSRB"), pursuant to the requirements of section (b)(5)(i) of Rule 15c2-12. See "APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein for a description of the Undertaking. A failure by the Commission to provide any information required thereunder will not constitute a Senior Event of Default under the Senior Indenture or a Subordinate Event of Default under the Subordinate Indenture.

During the last five years, the Commission has not failed to comply, in all material respects, with any of its undertakings under Rule 15c2-12. Although the Commission has complied in all material respect with its undertakings under Rule 15c2-12, a notice of rating upgrade associated with S&P's March 2014 rating upgrade of National Public Finance Guaranty Corporation (which provided bond insurance on the previously outstanding Subordinate Airport Revenue Refunding Bonds, Series 2007B (the "Subordinate Series 2007B Bonds") through a reinsurance of the original Financial Guaranty Insurance Company insurance policies) was filed with the MSRB, but not properly linked to each of the applicable CUSIP numbers for the previously outstanding Subordinate Series 2007B Bonds. However, the rating upgrade was provided under the ratings section of the MSRB's Electronic Municipal Market Access system with respect to the previously outstanding Subordinate Series 2007B Bonds.

The Commission has entered into an engagement letter with Digital Assurance Certification, L.L.C. ("DAC"), pursuant to which the Commission has engaged DAC to file and disseminate information provided by the Commission in connection with the Commission's continuing disclosure obligations under Rule 15c2-12.

UNDERWRITING

Senior Series 2016C Bonds and Subordinate Series 2016D Bonds

The Senior Series 2016C Bonds will be purchased by RBC Capital Markets, LLC, U.S. Bancorp Investments, Inc., Barclays Capital Inc., Citigroup Global Markets Inc., Piper Jaffray & Co., and Wells

Fargo Bank, National Association (collectively, the “Series 2016C/D Underwriters”), from the Commission at a price of \$231,476,590.15 (which represents the par amount of the Senior Series 2016C Bonds, plus an original issue premium of \$24,981,520.70, less an underwriters’ discount of \$754,930.55), subject to the terms of the Bond Purchase Agreement, dated December 6, 2016 (the “Series 2016C/D Bond Purchase Agreement”), between RBC Capital Markets, LLC, as representative of the Series 2016C/D Underwriters, and the Commission.

The Subordinate Series 2016D Bonds will be purchased by the Series 2016C/D Underwriters from the Commission at a price of \$25,218,336.18 (which represents the par amount of the Subordinate Series 2016D Bonds, plus an original issue premium of \$1,892,487.35, less an underwriters’ discount of \$84,151.17), subject to the terms of the Series 2016C/D Bond Purchase Agreement.

The Series 2016C/D Bond Purchase Agreement provides that the Series 2016C/D Underwriters will purchase all of the Series 2016C/D Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Series 2016C/D Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Series 2016C/D Bonds set forth on the inside front cover hereof may be changed from time to time by the Series 2016C/D Underwriters. The Series 2016C/D Underwriters may offer and sell the Series 2016C/D Bonds into unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside front cover hereof.

Subordinate Series 2016E Bonds

The Subordinate Series 2016E Bonds will be purchased by Wells Fargo Bank, National Association, Citigroup Global Markets Inc., Barclays Capital Inc., Piper Jaffray & Co., RBC Capital Markets, LLC, and U.S. Bancorp Investments, Inc. (collectively, the “Subordinate Series 2016E Underwriters,” and together with the Series 2016C/D Underwriters, the “Underwriters”), from the Commission at a price of \$171,080,533.83 (which represents the par amount of the Subordinate Series 2016E Bonds, less an underwriters’ discount of \$609,466.17), subject to the terms of the Bond Purchase Agreement, dated December 6, 2016 (the “Subordinate Series 2016E Bond Purchase Agreement”), between Wells Fargo Bank, National Association, as representative of the Subordinate Series 2016E Underwriters, and the Commission.

The Subordinate Series 2016E Bond Purchase Agreement provides that the Subordinate Series 2016E Underwriters will purchase all of the Subordinate Series 2016E Bonds if any are purchased, and that the obligation to make such purchase is subject to certain terms and conditions set forth in the Subordinate Series 2016E Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering prices of the Subordinate Series 2016E Bonds set forth on the inside front cover hereof may be changed from time to time by the Subordinate Series 2016E Underwriters. The Subordinate Series 2016E Underwriters may offer and sell the Subordinate Series 2016E Bonds into unit investment trusts or money market funds at prices lower than the public offering prices stated on the inside front cover hereof.

General Information Regarding Underwriters

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

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

Citigroup Global Markets Inc., one of the underwriters of the Series 2016C/D/E Bonds, has entered into a retail distribution agreement with each of TMC Bonds L.L.C. (“TMC”) and UBS Financial Services Inc. (“UBSFS”). Under these distribution agreements, Citigroup Global Markets Inc. may distribute municipal securities to retail investors through the financial advisor network of UBSFS and the electronic primary offering platform of TMC. As part of this arrangement, Citigroup Global Markets Inc. may compensate TMC (and TMC may compensate its electronic platform member firms) and UBSFS for their selling efforts with respect to the Series 2016C/D/E Bonds.

US Bancorp is the marketing name of U.S. Bancorp and its subsidiaries, including U.S. Bancorp Investments, Inc., which is serving as one of the Underwriters of the Series 2016C/D/E Bonds.

Wells Fargo Bank, National Association, acting through its Municipal Products Group (“WFBNA”), one of the Underwriters of the Series 2016C/D/E Bonds, has entered into an agreement (the “WFA Distribution Agreement”) with its affiliate, Wells Fargo Advisors, LLC (“WFA”), for the distribution of certain municipal securities offerings, including the Series 2016C/D/E Bonds. Pursuant to the WFA Distribution Agreement, WFBNA will share a portion of its underwriting or remarketing agent compensation, as applicable, with respect to the Series 2016C/D/E Bonds with WFA. WFBNA has also entered into an agreement (the “WFSLLC Distribution Agreement”) with its affiliate Wells Fargo Securities, LLC (“WFSLLC”), for the distribution of municipal securities offerings, including the Series 2016C/D/E Bonds. Pursuant to the WFSLLC Distribution Agreement, WFBNA pays a portion of WFSLLC’s expenses based on its municipal securities transactions. WFBNA, WFSLLC, and WFA are each wholly-owned subsidiaries of Wells Fargo & Company.

Wells Fargo Securities is the trade name for certain securities-related capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Bank, National Association, which conducts its municipal securities sales, trading and underwriting operations through the Wells Fargo Bank, NA Municipal Products Group, a separately identifiable department of Wells Fargo Bank, National Association, registered with the Securities and Exchange Commission as a municipal securities dealer pursuant to Section 15B(a) of the Securities Exchange Act of 1934, as amended.

INDEPENDENT AUDITORS

The audited financial statements of the Commission for the fiscal year ended December 31, 2015 (the “2015 Audited Financial Statements”) are included as Appendix B attached hereto. The 2015 Audited Financial Statements were audited by BKD, LLP, independent auditors, whose report with respect thereto also appears in Appendix B hereto. The Commission did not request BKD, LLP to perform any updating procedures subsequent to the date of its audit report on the December 31, 2015 financial statements.

RELATED PARTIES

Wells Fargo Bank, National Association, acting through its Municipal Products Group, is serving as one of the underwriters of the Series 2016C/D/E Bonds. Wells Fargo Bank, National Association also

APPENDIX A

REPORT OF THE AIRPORT CONSULTANT

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Appendix A

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION
SENIOR AIRPORT REVENUE BONDS, SERIES 2016C, AND
SUBORDINATE AIRPORT REVENUE BONDS, SERIES 2016D AND 2016E

Prepared for

Metropolitan Airports Commission

Prepared by

LeighFisher
Cincinnati, Ohio

November 22, 2016

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November 22, 2016

Mr. Daniel Boivin, Chair
Metropolitan Airports Commission
6040 28th Avenue South
Minneapolis, MN 55450

**Re: Report of the Airport Consultant on behalf of Metropolitan Airports Commission,
Senior Airport Revenue Bonds, Series 2016C and Subordinate Airport Revenue Bonds,
Series 2016D and 2016E**

Dear Mr. Boivin:

LeighFisher is pleased to submit this Report of the Airport Consultant (Report) in connection with the planned issuance by the Metropolitan Airports Commission (Commission) of its Minneapolis-St. Paul Metropolitan Airports Commission Senior Airport Revenue Bonds, Series 2016C (Senior Series 2016C Bonds) and Subordinate Airport Revenue Bonds, Series 2016D and 2016E (Subordinate Series 2016D Bonds and Subordinate Series 2016E Bonds, collectively with the Senior Series 2016C Bonds, the Series 2016C/D/E Bonds or the Series 2016 Improvement Bonds) in the original principal amount of \$437,735,000*. This letter and the accompanying attachment and exhibits constitute our Report.

The Commission owns and operates Minneapolis-St. Paul International Airport (MSP or the Airport) and six reliever airports—St. Paul Downtown, Flying Cloud, Crystal, Anoka County-Blaine, Lake Elmo, and Airlake (collectively, the Airport System).

Proceeds from the Series 2016 Improvement Bonds are expected to be used for the following purposes:

- Fund a portion of the costs related to the Airport's Parking Facilities Expansion project, which includes the construction of a parking structure and rental car facility, along with roadway construction and plaza relocation
- Repay a portion of the Commission's line of credit used to fund portions of the Terminal 2-Humphrey Expansion project
- Fund the required deposits to pay the capitalized interest on a portion of the Series 2016 Improvement Bonds and to fund the debt service reserve funds
- Pay the costs of issuing the Series 2016 Improvement Bonds

In addition, the Commission's Capital Improvement Program (CIP) currently anticipates the issuance of Senior Airport Revenue Bonds in 2019 (Senior Series 2019 Improvement Bonds) and Subordinate Airport Revenue Bonds in 2021 (Subordinate Series 2021 Improvement Bonds, and collectively with the Senior Series 2019 Improvement Bonds, the Future Improvement Bonds). As the Subordinate Series 2021 Improvement Bonds are not anticipated to be issued until FY 2021, the first debt service payment would not become due until FY 2024 after the completion of the capitalized interest period, which is beyond the forecast period of this Report. Therefore debt service payments and

*Preliminary, subject to change.

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corresponding airline revenue increases associated with the Subordinate Series 2021 Improvement Bonds are not reflected in this Report. The Future Improvement Bonds are all assumed to be issued as fixed rate bonds.

Senior Airport Revenue Bonds are issued pursuant to the Master Trust Indenture, dated June 1, 1998, as amended and supplemented (Master Senior Indenture) and are secured by a pledge of Net Revenues on a parity basis with other Senior Airport Revenue Bonds and General Obligation Revenue Bonds. Net Revenues are equivalent to the remaining revenues of the Airport System after the payment of maintenance and operation expenses of the Airport System.

Subordinate Airport Revenue Bonds are issued pursuant to the Master Subordinate Trust Indenture, dated October 1, 2000, as amended and supplemented (Master Subordinate Indenture) and are secured by a pledge of Subordinate Revenues (called the Net Pledged Revenues in the Master Subordinate Indenture), on parity with other Subordinate Obligations. Subordinate Revenues are equivalent to Net Revenues remaining after payment of debt service as well as reserve and replenishment requirements on and relating to the Senior Airport Revenue Bonds and the General Obligation Revenue Bonds.

This letter and the accompanying attachment and exhibits constitute our Report. The purpose of the Report is to evaluate the ability of the Commission to meet the requirements of Section 5.04 of the Master Senior Indenture (Senior Rate Covenant) and Section 5.04 of the Master Subordinate Indenture (Subordinate Rate Covenant, and collectively with the Senior Rate Covenant, the Rate Covenants) during the forecast period, taking into account the proposed Series 2016 Improvement Bonds, as well as the currently Outstanding Senior Airport Revenue Bonds, Outstanding Subordinate Airport Revenue Obligations, and Future Improvement Bonds. The forecast period covered by the Report is the period Fiscal Year (FY) 2016 through FY 2022. The Fiscal Year of the Commission ends on December 31. Capitalized terms not otherwise defined in the Report shall have the meanings given in the Master Senior Indenture and Master Subordinate Indenture.

Capital Improvement Program

The Airport System's CIP for 2016 to 2022 includes \$1.474 billion of funding to support the Parking Facilities Expansion (including the rental car facility), the Terminal 1-Lindbergh Expansion, Terminal 1-Lindbergh Rehabilitation and Repair projects, and various additional improvement and rehabilitation projects, including police and fire, reliever airports, and airfield and runway projects, among others. The anticipated funding sources for the CIP include the Series 2016 Improvement Bonds, the Future Improvement Bonds, federal and state grants, passenger facility charges (PFC) pay-as-you-go funding, a direct line of credit, the airline Repair and Replacement Account (R&R Account), and internal Commission funds.

Rate Covenants

The Commission has covenanted in Section 5.04 of the Master Senior Indenture that, so long as any of the Senior Airport Revenue Bonds and General Obligation Revenue Bonds are outstanding, the Commission will establish, fix, prescribe, and collect rates, tolls, fees, rentals, and charges in connection with the Airport System, so that

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- i) Net Revenues in each Fiscal Year are sufficient to fund the deposits required to be made pursuant to Section 5.04(a) of the Master Senior Indenture and
- ii) During each Fiscal Year, the Net Revenues, together with any Transfer, will be at least equal to 125% of Aggregate Annual Debt Service on the outstanding Senior Airport Revenue Bonds.

For purposes of this calculation, the amount of any Transfer shall not exceed 25% of Aggregate Annual Debt Service on the outstanding Senior Airport Revenue Bonds in such Fiscal Year.

Further, the Commission has covenanted in Section 5.04 of the Master Subordinate Indenture that, so long as any of the Subordinate Obligations remain outstanding, the Commission will establish, fix, prescribe, and collect rates, tolls, fees, rentals, and charges in connection with the Airport System, so that:

- i) Subordinate Revenues in each Fiscal Year are sufficient to fund the deposits required to be made pursuant to Section 5.04(a) of the Master Subordinate Indenture and
- ii) During each Fiscal Year, the Subordinate Revenues, together with any Transfer, will be equal to at least 110% of Aggregate Annual Debt Service on the outstanding Subordinate Obligations.

For purposes of this calculation, the amount of any Transfer taken into account shall not exceed 10% of Aggregate Annual Debt Service on the outstanding Subordinate Obligations in such Fiscal Year.

Airline Agreement

As of July 1, 2016, 34 airlines were operating at the Airport. The Commission has entered into separate but substantially similar agreements (known as the Airline Operating Agreement and Terminal Building Lease) with 28 airlines (both passenger and cargo) currently operating at the Airport (collectively, the Airline Agreements). In addition to these 28 airlines (Signatory Airlines), six are currently operating at the Airport without Airline Agreements, as non-signatory airlines. The current Airline Agreements were originally negotiated and executed to support the Commission's expansion of the Airport known as the 2010 Long Term Comprehensive Plan (2010 Plan). The Airline Agreements had an effective date of January 1, 1999. The Airline Agreements have been amended and the term extended over the years, including significant changes in 2007 as completion of the 2010 Plan was approaching. At that time, the Commission extended the term of Northwest Airlines' Airline Agreement to December 31, 2020, which was assumed by Delta Air Lines subsequent to the merger of the airlines.

The 2015 Amendment of the Airline Agreements synchronized the 28 airlines on all provisions with the exception of term. Twenty of the airlines currently operating at the Airport with Airline Agreements extended the term of their agreements through December 31, 2018, while five extended their Airline Agreements through December 31, 2020 to match the term of Delta's Airline Agreement (for a total of six airlines with Airline Agreements expiring on that date). In addition, two airlines are operating under Airline Agreements which extend through 2018 but may be cancelled within 30 days' notice. Airlines that operate at the Airport but are neither covered by an Airline

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Agreement nor affiliated with a Signatory Airline are charged non-signatory landing fees and terminal rentals as established by ordinance adopted by the Commission.

The Airline Agreements provide for, among other things, the use by the airlines of the airfield and apron areas of the Airport and the lease of certain space in the Airport's main terminal – Terminal 1-Lindbergh. The Airline Agreements also establish procedures for the annual calculation of rents, fees, and charges for the use of facilities and areas covered by the Airline Agreements. These rents, fees, and charges are calculated based on a commercial compensatory rate-setting methodology for Terminal 1-Lindbergh and a cost-center residual rate-setting methodology for the airfield.

The use and occupancy of Terminal 2-Humphrey, which primarily serves low-cost carriers (LCCs) and charter operators, differs from Terminal 1-Lindbergh in that the rental rates of Terminal 2-Humphrey are not set by agreement. Instead, the Commission operates Terminal 2-Humphrey on a common-use basis and establishes the rents, fees, and charges for its use by ordinance, on a cost recovery basis. Most airlines operating from Terminal 2-Humphrey are Signatory Airlines and subject to the terms of the Airline Agreement, however provisions regarding terminal rentals and leased areas do not apply and are set pursuant to the ordinance.

Airline Traffic Forecast

The forecast of airline traffic at the Airport through 2022 was developed on the basis of the economic outlook for the Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area (MSA), trends in historical airline traffic, and key factors likely to affect future traffic, all as discussed in this report.

On the basis of year-to-date passenger traffic reports and advance airline schedules, the number of enplaned passengers at the Airport in 2016 is forecast to be 18.25 million, up 2.9% from the number enplaned in 2015. For the first 9 months of 2016, the number of passengers enplaned at MSP increased 2.7% year-over-year (up 2.3% for domestic and up 8.1% for international). Between 2016 and 2022, the number of enplaned passengers at the Airport is forecast to increase an average of 1.4% per year. The number of enplaned passengers at the Airport is forecast to be 19.8 million in 2022, an increase of 11.6% over the 2015 number. Connecting passengers are forecast to account for the same share of enplaned passengers in 2022 (46%) that they did in 2015.

Scope of the Report

In preparing the Report, we analyzed the following:

- The status and estimated costs of the CIP, including the facilities expected to be provided, anticipated funding sources, and the estimated completion dates of the projects.
- Annual Debt Service on outstanding Senior Airport Revenue Bonds and Subordinate Airport Revenue Obligations, including the recently issued Senior Airport Revenue Refunding Bonds, Series 2016A and Subordinate Airport Revenue Refunding Bonds, Series 2016B.
- Estimated debt service for the 2016 Improvement Bonds and the Future Improvement Bonds. We have relied upon the Commission and its consultants for estimates of project

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costs and funding sources, and upon Jefferies LLC, the Commission's financial advisor, for the plan of finance and the estimated Debt Service.

- The historical and estimated future PFC revenues and the Commission's intended use of PFC revenues during the forecast period for funding portions of the CIP on a pay-as-you-go basis and as a source for repayment of bonds. The financial forecasts are predicated on the assumption that the Commission will receive approvals for all future PFC applications submitted during the forecast period.
- Historical and future airline traffic demand at the Airport, giving consideration to the demographic and economic characteristics of the region served, historical trends in airline traffic, the role of the Airport in the route systems of Delta Air Lines and other airlines, and other key factors that may affect future airline traffic. Historical relationships among revenues, expenses, airline traffic, and other factors that may affect future revenues and expenses.
- Historical results, budgeted results for FY 2016, preliminary budgeted results for FY 2017, expected staffing requirements, and other operational considerations.
- Commission policies and contractual arrangements relating to the use and occupancy of the Airport, including the calculation of airline rentals, fees, and charges under the Airline Agreements; the operation of concession privileges; and the leasing of buildings and grounds. The financial forecasts are predicated on the assumption that the Commission will collect all airline rentals and fees required by the provisions of the Airline Agreements through the forecast period.

We identified key factors upon which the future financial results of the Commission may depend and formulated assumptions about those factors with the Commission. On the basis of those assumptions, we assembled the financial forecasts presented in the accompanying exhibits provided at the end of this Report and summarized in this letter.

Summary of Forecast Results

As shown in Exhibit H and Exhibit H-1, provided at the end of the Report, the Net Revenues of the Commission are projected to be sufficient to meet the requirements of the Rate Covenants during each year of the forecast period. Additionally, based upon our review and forecasts:

- Enplaned passengers at the Airport increased at a compound average annual rate of 2.4% per year from FY 2010 through FY 2015, and are forecast to increase at a compound average annual rate of 1.4% from FY 2016 through FY 2022 (see Table 20 in the accompanying attachment).
- Airline payments per enplaned passenger (costs per enplanement) are projected to gradually increase through the end of the forecast period to \$6.99, an average annual rate of 1.6% (see Exhibit F-1).
- Net Revenues are forecast to be sufficient to satisfy the requirements of the Rate Covenants in each year of the forecast period (see Exhibits H and H-1). Coverage on total

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Annual Debt Service on Senior Airport Revenue Bonds and Subordinate Obligations, without the benefit of a Transfer, is forecast to exceed the requirements of the Rate Covenants in each year of the forecast period.

Stress Test Scenario Projections

To test the sensitivity of the financial forecasts, we used hypothetical assumptions for fewer enplaned passengers and reductions in airline rented space in Terminal 1-Lindbergh. The assumptions are described in detail in the attachment to this Report and the results of the hypothetical stress test scenario are shown on Exhibit I-2. Under the stress test scenario, the Commission is able to fully meet its obligations under the Master Senior Indenture and the Master Subordinate Indenture.

Underlying Assumptions

The forecasts are based on information and assumptions that were provided by, or reviewed with and agreed to by, Commission management. The forecasts reflect Commission management’s expected course of action during the forecast period and, in Commission management’s judgment, present fairly the expected financial results of the Airport System. Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, “Background, Assumptions, and Rationale for the Financial Forecasts.” The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. Neither LeighFisher nor any person acting on behalf of LeighFisher makes any warranty, expressed or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in the Report. We have no responsibility to update this report to reflect events and circumstances occurring after the date of the Report.

* * * * *

We appreciate the opportunity to serve as Airport Consultant for the Commission’s proposed financing.

Respectfully submitted,



LEIGHFISHER

Attachment

**BACKGROUND, ASSUMPTIONS, AND RATIONALE
FOR THE FINANCIAL FORECASTS**

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

MINNEAPOLIS-ST. PAUL METROPOLITAN AIRPORTS COMMISSION
SENIOR AIRPORT REVENUE BONDS, SERIES 2016C, AND
SUBORDINATE AIRPORT REVENUE BONDS, SERIES 2016D AND 2016E

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1. AIRPORT FACILITIES

Minneapolis-St. Paul International Airport (MSP or the Airport) is owned and operated by the Metropolitan Airports Commission (MAC or the Commission). The Commission, whose purpose is to promote air transportation in the Minneapolis-St. Paul metropolitan area, was created in 1943 as a public corporation pursuant to an act of the Minnesota state legislature. The Commission owns and operates seven airports—MSP, St. Paul Downtown, Flying Cloud, Crystal, Anoka County-Blaine, Lake Elmo, and Airlake—which serve commercial air carriers and general aviation and are referred to herein as the Airport System.

The Airport is located equidistant (approximately nine miles) south and southwest of the central business districts of Minneapolis and St. Paul, respectively. It occupies approximately 3,100 acres.

1.1 AIRFIELD FACILITIES

The Airport has four commercial aircraft runways consisting of two parallel northwest-southeast runways—Runway 12L/30R and Runway 12R/30L, one north-south runway—Runway 17/35, and a crosswind runway—Runway 4/22. The parallel runways are 8,200 and 10,000 feet long, respectively. The north-south runway is 8,000 feet long. The crosswind runway extends 11,000 feet, intersecting the two parallel runways. All eight of the runway approach directions are equipped with high-intensity runway lighting and instrument landing systems to enable continuous all-weather operations.

1.2 TERMINAL FACILITIES

Passenger terminal facilities at the Airport are located in two separate buildings: Terminal 1-Lindbergh, and Terminal 2-Humphrey. International arrivals facilities (IAF) at the Airport are located in both of the passenger terminals. The light rail system that runs between downtown Minneapolis and the Mall of America has stations at both terminals and provides transportation between the two terminals at no charge. Shuttle bus service between the terminals is also available in certain circumstances.

1.2.1 Terminal 1-Lindbergh

Terminal 1-Lindbergh is a three-story structure consisting of approximately 2.8 million square feet of space, of which approximately 1.3 million square feet are considered rentable (see Table 1). The building consists of one terminal (Main Building) and seven concourses designated with the letters A through G. Terminal 1-Lindbergh also includes (1) the principal IAF (see Section 1.2.3, International Arrivals Facilities); (2) the ground transportation center; and (3) a valet parking garage, which is located beneath Terminal 1-Lindbergh (the primary parking facility is located adjacent to this terminal; see Section 1.3, Parking Facilities). The seven concourses, which extend from the Main Building, provide a total of 103 jet aircraft loading positions utilizing passenger loading bridges. Regional airline operations are conducted primarily from Concourse A (11 gates) and Concourse B (8 gates), of which both are leased to Delta Air Lines. The jet aircraft loading positions and the associated holdroom areas are leased to airlines on a preferential-use basis. Under specific conditions, the preferential user of an aircraft loading position may be required to accommodate the operations of another airline. In addition, seven positions are designated as “Short Term Gates.” The Commission has retained the right to replace, under certain circumstances, a preferential user of a Short Term Gate with an airline that is providing new service to the Airport.

Table 1
TERMINAL 1-LINDBERGH FACILITIES PROFILE
 Minneapolis-St. Paul International Airport

	Rentable Square Feet	Total Square Feet
Main Building	564,578	1,064,030
G Concourse	247,261	368,638
F Concourse	106,586	177,812
E Concourse	87,785	148,210
C/D Concourses	250,231	638,056
A/B Concourses	41,600	153,714
Other	29,126	280,645
Total	1,327,167	2,831,105
<u>Gate Positions</u>		
	Number of Gates	
G Concourse	20	
F Concourse	16	
E Concourse	16	
C/D Concourses	32	
A/B Concourses	19	

Source: Metropolitan Airports Commission.

Within Terminal 1-Lindbergh are ticketing facilities on the second level in the Main Building; security checkpoint locations on the second level in the Main Building and at the entrance to the G Concourse from the parking garage skyway; passenger boarding facilities on the second level in each of the seven concourses; baggage claim and the international arrivals waiting area on the ground or first level; and the ground transportation center, which contains covered space for shuttle and taxi pickup on the ground level. Concessions are located throughout the passenger terminal complex, primarily inside the secure area beyond the security checkpoints.

Eleven of the jet aircraft loading positions (which exclude the ten positions in the IAF, discussed in Section 1.2.3) on the G Concourse are under preferential lease to Delta under an Airline Agreement that expires in 2020.

1.2.2 Terminal 2-Humphrey

Terminal 2-Humphrey is a three-story structure consisting of approximately 639,000 square feet of space. It is operated as a common-use facility, of which the two primary users are Southwest Airlines and Sun Country Airlines. Icelandair and charter carriers use the facility on a seasonal basis. Terminal 2-Humphrey houses one of the IAFs located at the Airport (see below, International Arrivals Facilities). In October 2016, an expansion to Terminal 2-Humphrey was completed that increased the gate count from 10 to 14.

1.2.3 International Arrivals Facilities

The IAF, located on the G Concourse of Terminal 1-Lindbergh, is intended for use by regularly scheduled international flights and, therefore, the majority of international arrivals and departures at the Airport are conducted from this facility. The facility contains ten jet aircraft loading positions, all with international arrival capability. The facility has nine dual-purpose domestic-international gates. The total processing capacity is estimated to be approximately 800 passengers per hour. An additional IAF is located in Terminal 2-Humphrey, which is intended for use by the scheduled carriers operating at that facility, international charter flights, and off-schedule international flights.

1.3 PARKING FACILITIES

Parking facilities located on the Airport provide 23,425 public automobile parking spaces (see Table 2). The on-Airport parking options include a valet garage located at Terminal 1-Lindbergh, short-term and long-term parking located in a parking facility adjacent to Terminal 1-Lindbergh, a “Quick Ride” parking ramp located approximately one mile from Terminal 1-Lindbergh, and short-term and long-term parking adjacent to Terminal 2-Humphrey. The Commission has instituted a credit (and debit) card-based discount parking option termed the ePark® program, which eliminates the use of tickets and cashiers.

The public parking facilities, located adjacent to and below Terminal 1-Lindbergh, provide 13,453 of the public parking spaces. The valet garage located beneath Terminal 1-Lindbergh provides 389 parking spaces. The remaining 13,064 parking spaces are contained in four parking ramps, including two nine-story structures that have auto rental operations on the first three levels. The parking ramps are connected to Terminal 1-Lindbergh and the G Concourse via an enclosed skyway and can also be accessed using an automated people mover from the ground transportation center.

The “Quick Ride” parking ramp, located approximately one mile from Terminal 1-Lindbergh on Northwest Drive, was opened March 2015. The facility contains 1,302 spaces and is mainly used as an overflow parking garage for the parking facilities located adjacent to and below Terminal 1-Lindbergh during peak demand times.

Table 2
 PUBLIC AUTOMOBILE PARKING SPACES
 Minneapolis-St. Paul International Airport
 (as of July 1, 2016)

Facility	Number of Spaces
Terminal 1-Lindbergh	
General	12,148
Short Term	816
ePark® Elite	100
Valet Garage	<u>389</u>
Total	13,453
Quick Ride	1,302
Terminal 2-Humphrey	<u>8,670</u>
Total On-Airport Spaces	23,425
Estimated Off-Airport Parking Facilities	5,450

Source: Metropolitan Airports Commission.

The remaining 8,670 public parking spaces, including the “Value Parking” operation, are contained in two nine-level parking garages adjacent to Terminal 2-Humphrey. Four off-Airport private parking facilities serve Airport passengers and provide approximately 5,450 additional automobile parking spaces.

1.4 GROUND ACCESS

Major highways that connect with the rest of the metropolitan area bound the Airport. On the south side of the Airport is I-494 that connects to I-694 forming an interstate highway loop through the metropolitan area around the cities of Minneapolis and St. Paul. Access to I-94 and I-35 is readily available from this loop. To the west of the Airport is State Highway 77 (Cedar Avenue). The Crosstown Highway (State Highway 62) lies to the north of the Airport, while to the east are State Highways 5 and 55.

Connection to the downtown area of Minneapolis is, in addition to various city streets, provided by State Highway 55 and by I-35W, which connects to both I-494 and the Crosstown Highway west of the Airport. Downtown Minneapolis is linked to the Airport by a light-rail system, which continues on to the Mall of America. The St. Paul downtown area is also accessible by various city streets with the primary access via State Highway 5 and by I-35E, which connects to both Highway 5 and I-494 east of the Airport.

1.5 OTHER FACILITIES

Several air carrier maintenance facilities are located on the Airport. Delta Air Lines occupies two large hangar facilities which include support functions such as office space, shops, engine-testing cells, computer facilities and storage. The first hangar, Delta Building B, can accommodate either three narrowbody or two B-747-sized aircraft. Delta Building C has capacity to accommodate six narrowbody, two widebody, and two B-747-400 aircraft simultaneously. Endeavor occupies a large hangar facility that was previously used by Delta for maintenance on B-747 aircraft.

Additionally, Sun Country occupies significant hangar space at the Airport. Including the adjacent apron space, the leased premises of Sun Country Hangar #1 includes approximately 440,000 square feet. The hangar can accommodate four B-737-800 aircraft and the outside ramp has parking capacity for an additional four B-737-800 aircraft. Sun Country Hangar #2 was originally constructed and leased by Mesaba Airlines in 2003 and the premises occupies approximately 270,000 square feet, including the apron. The hangar can accommodate one B-737-800 aircraft and the ramp has parking capacity for one additional B-737-800 aircraft. The building includes approximately 40,000 square feet of office and ancillary support space.

In addition to the areas described above, there are other areas on the Airport with distinct functions, as follows:

- The Airport rescue and firefighting facility is located between the west ends of the parallel runways. The facility is operated by the Commission and staffed with Commission employees.
- The Commission houses a portion of its administrative offices and buildings for maintenance facilities and equipment on the west side of the Airport along 28th Avenue.
- Various buildings and areas are used for cargo operations, including facilities for FedEx and UPS.
- The military occupies land along 34th Avenue between Runways 12R/30L and 12L/30R and a second area, located on the northeast side of the Airport, which, while not located on Airport property, contains taxiway connectors and a small section of apron area.

2. BASIS FOR AIRLINE PASSENGER DEMAND

2.1 AIRPORT SERVICE REGION

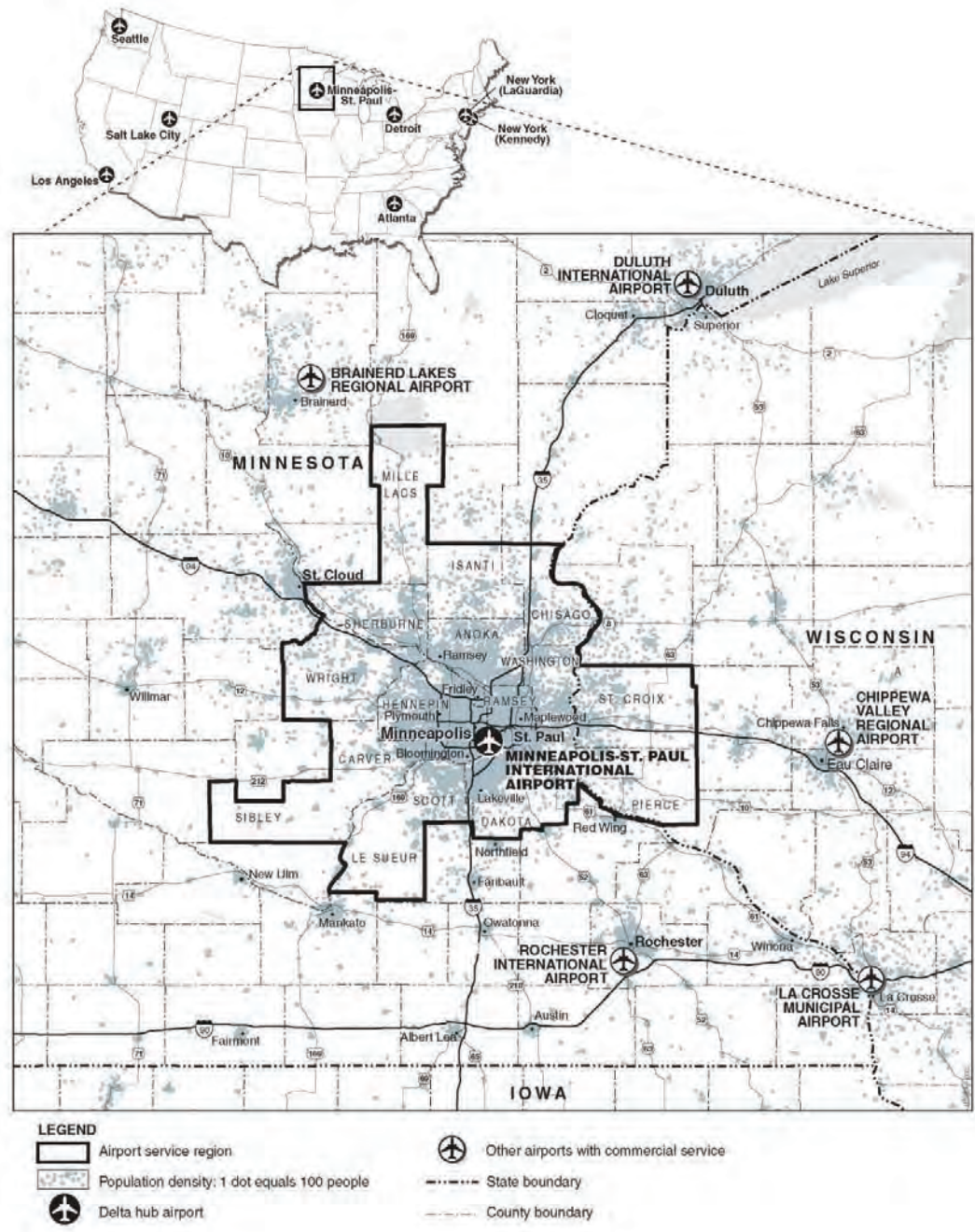
The Airport serves the greater Minneapolis-St. Paul area, located in east-central Minnesota. The Airport service region, as defined for purposes of this report, is the Minneapolis-St. Paul-Bloomington, MN-WI Metropolitan Statistical Area (MSA) encompassing the Minnesota counties of Anoka, Carver, Chisago, Dakota, Hennepin, Isanti, Le Sueur, Mille Lacs, Ramsey, Scott, Sherburne, Sibley, Washington, and Wright, and the Wisconsin counties of Pierce and St. Croix. The MSA contains the cities of Minneapolis and St. Paul, known as the Twin Cities. St. Paul is the capital of Minnesota. Figure 1 shows a map of the Airport service region.

Several cities near, but outside the boundaries of, the MSA are connected to the Airport by van or shuttle service. Those cities include Duluth, Mankato, Rochester, and St. Cloud in Minnesota, and Chippewa Falls and Eau Claire in Wisconsin.

2.2 DEMOGRAPHIC AND ECONOMIC PROFILE

The demographic and economic factors that most strongly influence airline passenger demand at the Airport are the population, employment, and per capita income of the MSA. The MSA is the nation's 16th most populous. The MSA's unemployment rate has historically been below the national average, and its per capita personal income has been above the national average. The economy is well-diversified and not overly dependent on a single large employer; several Fortune 500 companies maintain corporate headquarters in the Twin Cities area. Tourism and local activities also affect airline travel demand.

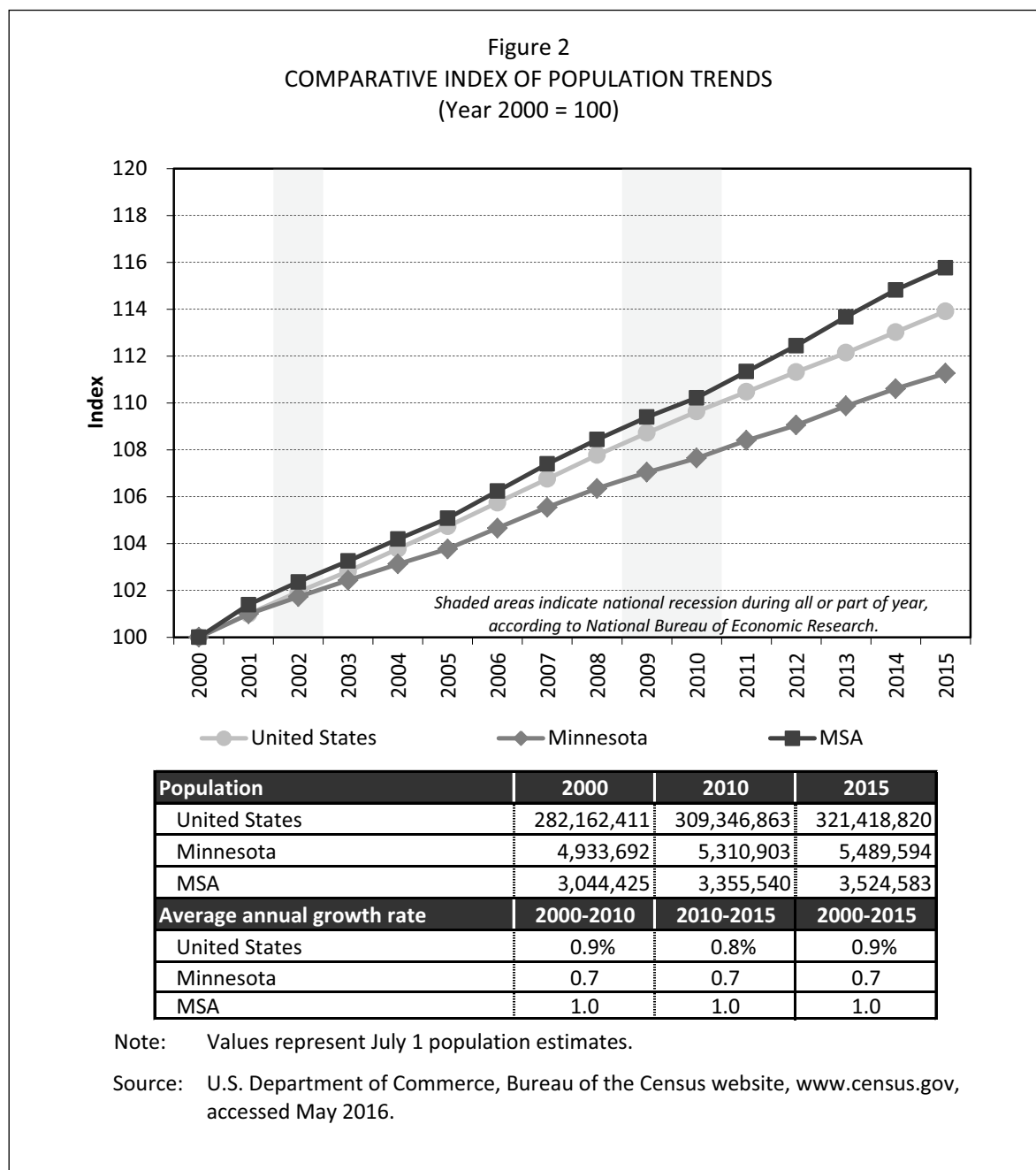
Figure 1
 AIRPORT SERVICE REGION
 Minneapolis-St. Paul International Airport



Source: U.S. Census Bureau, 2010 U.S. Census data.

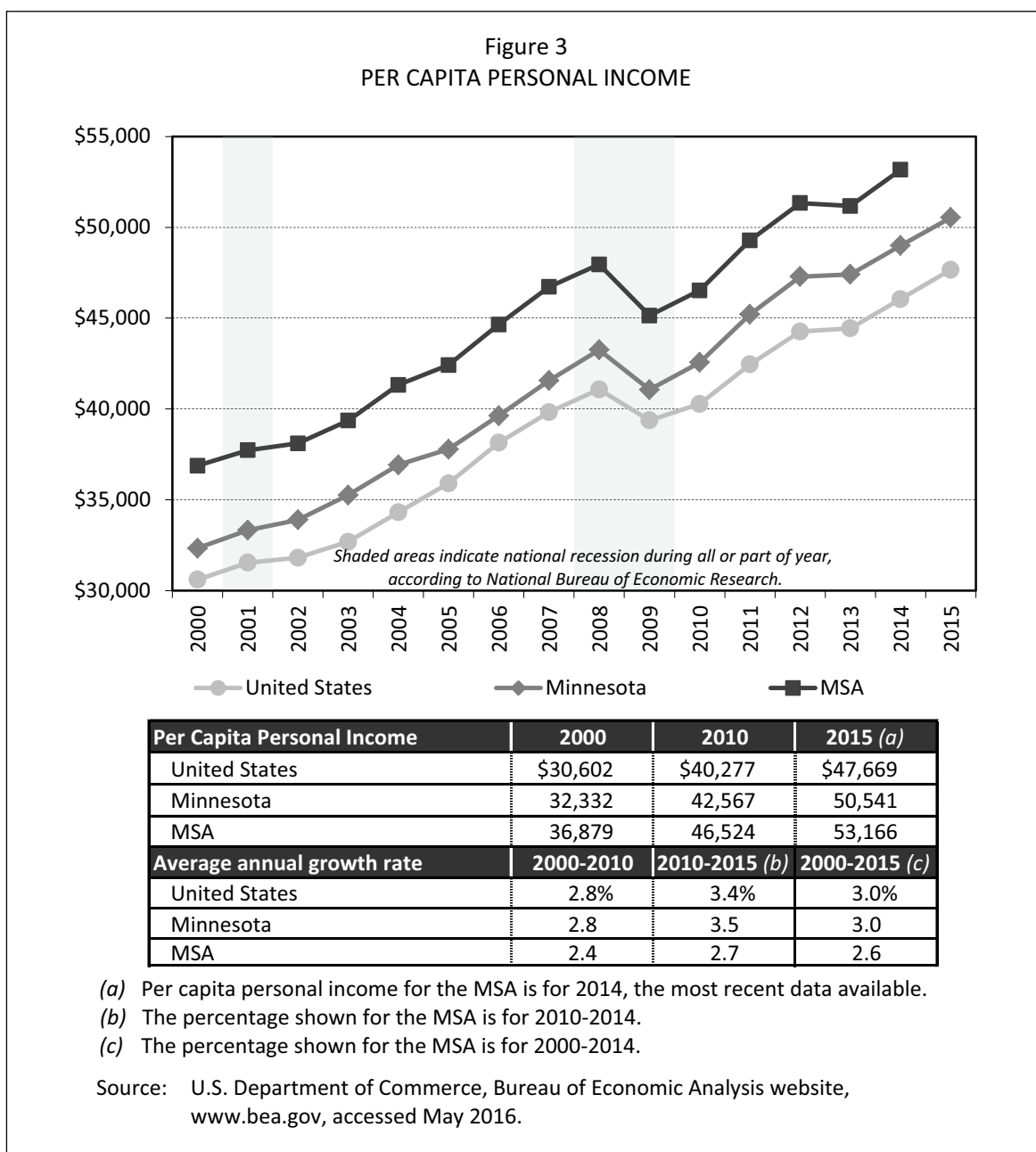
2.2.1 Population

Population growth is a key factor influencing the demand for airline travel. Figure 2 shows that, between 2000 and 2015, the MSA population increased at a greater rate than that of Minnesota and the nation.



2.2.2 Per Capita Income

Figure 3 shows that the MSA's per capita personal income in 2014 was higher than both the state average and the national average. In fact, the MSA ranked 23rd among the 381 metropolitan statistical areas nationwide in terms of per capita personal income. Per capita income growth in the MSA has generally mirrored the pattern of nationwide growth, with per capita income in the MSA remaining at somewhat higher levels compared with the state and the U.S. over the past 15 years.

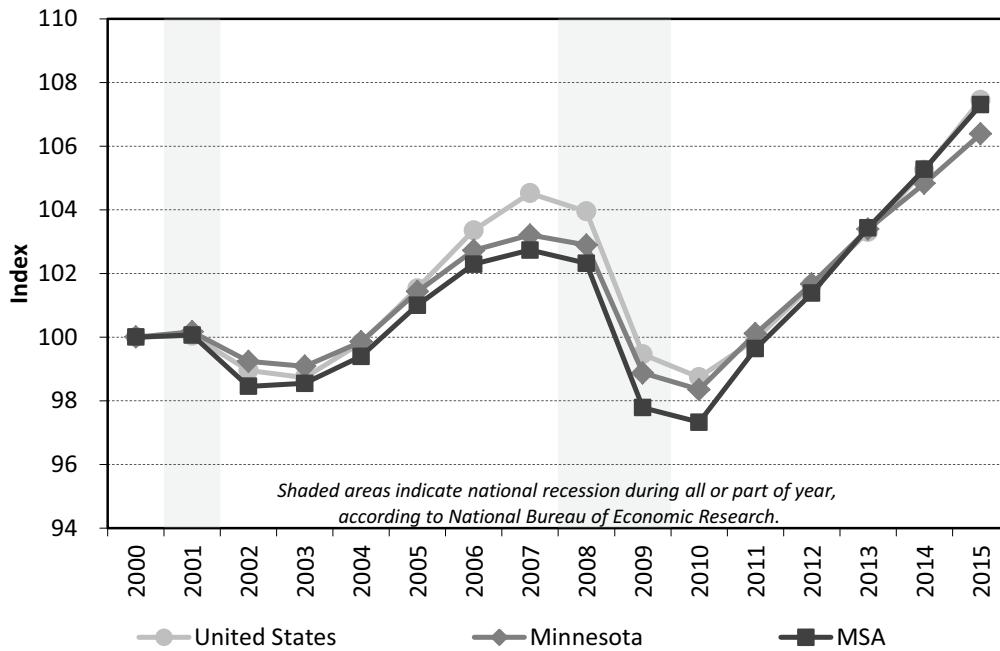


Measured on a household basis, a greater proportion of households in the MSA have incomes of greater than \$75,000 per year (46%) relative to the national average (36%), according to the U.S. Census Bureau’s American Community Survey.

2.2.3 Nonagricultural Employment

Figure 4 shows that, since 2000, the pattern of employment growth in the MSA has generally mirrored statewide and national employment growth. Since 2010, following the most recent economic recession, employment growth in the MSA (+2.0% per year, on average) has outpaced the nation (+1.7%) and Minnesota (+1.6%).

Figure 4
COMPARATIVE INDEX OF TOTAL NON-AGRICULTURAL EMPLOYMENT
(Year 2000 = 100)

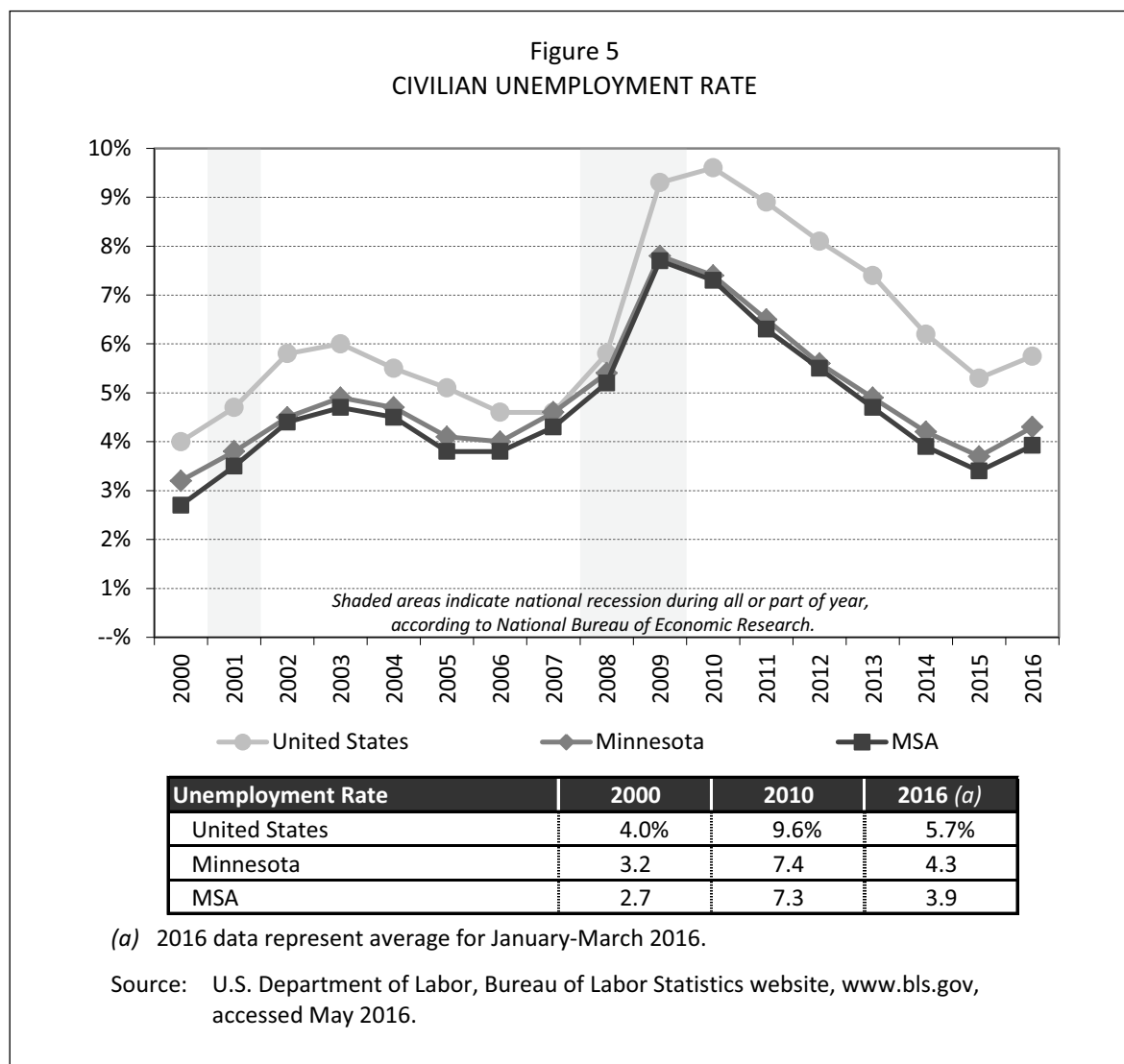


Employment (thousands)	2000	2010	2015
United States	132,024	130,361	141,865
Minnesota	2,685	2,641	2,856
MSA	1,799	1,751	1,930
Average annual growth rate	2000-2010	2010-2015	2000-2015
United States	(0.1%)	1.7%	0.5%
Minnesota	(0.2)	1.6	0.4
MSA	(0.3)	2.0	0.5

Source: U.S. Department of Labor, Bureau of Labor Statistics website, www.bls.gov, accessed May 2016.

2.2.4 Unemployment Rates

Figure 5 shows that unemployment in the MSA has been lower than that of the United States and Minnesota overall in every year since 2000. During the first 3 months of 2016, unemployment in the MSA was 3.9% compared with 4.3% for Minnesota and 5.7% for the nation.



2.2.5 Employment by Industry Sector

Table 3 shows employment by industry sector in the MSA, Minnesota, and the United States. The MSA has a higher percentage of jobs in education and health services, professional/business services, manufacturing, and financial activities than the United States overall, and a lower percentage in trade, transportation, utilities; government; leisure & hospitality; and natural resources, mining, and construction.

Table 3
AVERAGE ANNUAL NONAGRICULTURAL EMPLOYMENT GROWTH, 2005-2015,
AND EMPLOYMENT SHARE BY INDUSTRY, 2015

Industry	Average annual growth rate 2005-2015			2015 Percent of total		
	MSA	Minnesota	United States	MSA	Minnesota	United States
Trade, Transportation, Utilities	(0.2%)	(0.1%)	0.4%	18.1%	18.3%	19.0%
Education & Health Services	3.3	2.7	2.2	16.3	17.8	15.5
Professional/Business Services	1.5	1.5	1.5	15.7	12.5	13.9
Government	0.0	0.1	0.1	12.8	14.7	15.5
Manufacturing	(0.7)	(0.9)	(1.4)	10.1	11.1	8.7
Leisure & Hospitality	1.1	0.6	1.7	9.2	9.0	10.7
Financial Activities	0.1	0.1	(0.1)	7.7	6.4	5.7
Other Services	0.2	(0.3)	0.4	4.1	4.0	4.0
Natural Resources, Mining, Construction	(1.4)	(1.0)	(0.9)	4.0	4.3	5.1
Information	(1.1)	(1.3)	(1.1)	<u>2.0</u>	<u>1.8</u>	<u>1.9</u>
TOTAL	0.6%	0.5%	0.6%	100.0%	100.0%	100.0%

Note: Columns may not add to totals shown because of rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics, www.bls.gov, accessed June 2016.

2.2.6 Major Employers

Table 4 shows the top private employers in Minnesota, ranked by the number of in-state employees. Ten of the 20 companies listed are ranked in the Fortune 500 list of largest U.S. companies, based upon worldwide revenues. Ten of the 20 companies are engaged in health services or medical technology. Delta Air Lines, the 12th-largest employer in the state, is the dominant provider of passenger airline service at the Airport.

Table 4
MAJOR PRIVATE-SECTOR EMPLOYERS IN MINNESOTA
(Ranked by number of in-state employees)

Company	Employment	Type of business
Mayo Clinic	39,520	Health services
Target Corp. (a), (b)	29,900	Retail trade
Allina Health (b)	26,020	Health services
HealthPartners Inc. (b)	22,500	Health services
Wal-Mart Stores Inc. (a)	21,560	Retail trade
Fairview Health Services (b)	21,000	Health services
Wells Fargo Minnesota (a)	20,000	Financial services
3M Co. (a), (b)	16,690	Manufacturing
UnitedHealth Group Inc. (a), (b)	15,000	Health services
U.S. Bancorp (a), (b)	11,880	Financial services
Essentia Health	11,400	Health services
Delta Air Lines Inc. (a)	10,000	Passenger airline
Medtronic	9,300	Medical technology
CentraCare Health	8,990	Health services
Supervalu Inc. (a), (b)	8,950	Retail trade
Hormel Foods Corp. (a)	8,330	Manufacturing
Best Buy Co. Inc. (a), (b)	8,000	Retail trade
HealthEast Care System (b)	7,350	Health services
Thomson Reuters	7,200	Mass media
Hennepin County Medical Center (b)	6,640	Health services

(a) Ranked in 2016 Fortune 500 list of largest U.S. companies (based upon 2015 revenues).

(b) Company headquartered in the MSA.

Source: Minneapolis/St. Paul Business Journal, 2015-2016 Book of Lists.

A total of 16 Fortune 500 companies* maintain corporate headquarters in the MSA, several of which are listed in Table 4. Corporate headquarters are important generators of airline travel demand due to trips to and from field offices and customer locations, as well as visits from vendors and suppliers.

*UnitedHealth Group, Target, Best Buy, CHS, 3M, U.S. Bancorp, Supervalu, General Mills, Ecolab, C.H. Robinson Worldwide, Land O'Lakes, Ameriprise Financial, Xcel Energy, Mosaic, Thrivent Financial for Lutherans, and St. Jude Medical.

2.2.7 Tourism and Local Activities

Located within the MSA are numerous tourist attractions as well as local activities. Given the lengthy winter season in the Twin Cities, the area offers many indoor activities. For example, the MSA is home to one of the nation's largest shopping centers and entertainment complexes, the Mall of America, located in Bloomington (less than 5 miles from the Airport). The Mall of America's website reports that it receives over 40 million visitors per year, and that over one-third of its visitors are tourists rather than area residents. In addition, 42% of all tourists cite the Mall of America as their primary reason for visiting the area.

In addition to shopping, the region offers a number of cultural activities. The area has several nationally renowned art, music, and theatre organizations including the Guthrie Theater, the Children's Theatre Company, the Minnesota Orchestra, the St. Paul Chamber Orchestra, the Minnesota Opera, the Walker Art Center, and the Minneapolis Institute of Arts. The MSA also has three historic theaters, the State Theatre, the Orpheum Theatre, and the Pantages Theatre, that host Broadway shows and other cultural events.

The MSA is home to five major league professional sports teams: (1) the Minnesota Twins baseball team, (2) the Minnesota Vikings football team, (3) the Minnesota Timberwolves basketball team, (4) the Minnesota Lynx women's basketball team, and (5) the Minnesota Wild hockey team. At the college level, the University of Minnesota Golden Gophers compete within the Big Ten Conference in a number of sports, including basketball, hockey, football, and soccer.

Major local activities include the annual Minnesota State Fair (one of the largest in the nation) held for 12 days in late August and early September; the annual Minneapolis Aquatennial, a festival celebrating lakes and rivers throughout the city, held for 4 days in July; and the annual St. Paul Winter Carnival held for 11 days in late January and early February.

2.3 ECONOMIC OUTLOOK

2.3.1 Outlook for the U.S. Economy

Following real (inflation-adjusted) gross domestic product (GDP) growth of 1.5% in 2013, 2.4% in 2014, and 2.4% in 2015, the Congressional Budget Office forecasts real GDP growth of 2.5% in 2016, 2.6% in 2017, and an average of 2.0% per year in the years 2018 through 2022.

Continued U.S. economic growth will depend on, among other factors, stable financial and credit markets, a stable value of the U.S. dollar versus other currencies, stable energy and other commodity prices, the ability of the federal government to reduce historically high fiscal deficits, inflation remaining within the range targeted by the Federal Reserve, and growth in the economies of foreign trading partners.

2.3.2 Outlook for the Economy of the Airport Service Region

The economic outlook for the MSA generally depends on the same factors as those for the nation. The Federal Reserve Bank of Minneapolis, in its February 2016 *Ninth District Outlook* publication, forecasts continued increases in employment and personal income across much of the Ninth District.* For Minnesota specifically, the Federal Reserve Bank of Minneapolis projects modest increases in employment and personal income and a decrease in the unemployment rate in 2016.

Table 5 shows socioeconomic forecasts for a core seven-county region representing approximately 85% of the population of the MSA developed by the Metropolitan Council, a regional planning organization based in St. Paul. Growth in population and employment in the region is forecast to exceed national rates.

Table 5
SOCIOECONOMIC PROJECTIONS
(Minneapolis-St. Paul-Bloomington MSA and the United States)

	Average annual growth rate	
	Historical	Projected
	2000-2015	2015-2022
Population		
MSA (a)	1.0%	0.9%
United States	0.9	0.8
Non-agricultural employment		
MSA (a)	0.5%	1.2%
United States	0.5	0.6

(a) Projections shown are for a core seven-county region representing approximately 85% of the population of the MSA.

Sources: Historical—U.S. Department of Commerce, Bureau of the Census website; U.S. Department of Labor, Bureau of Labor Statistics website; U.S. Department of Commerce, Bureau of Economic Analysis website.

Projection—MSA: Metropolitan Council, Regional Forecasts, July 2015. United States: U.S. Department of Commerce, Bureau of the Census website, 2014 National Population Projections, December 2014; U.S. Department of Commerce, Bureau of Economic Analysis website, Employment Outlook: 2012-2022, December 2013.

*The Ninth Federal Reserve District includes Minnesota, North Dakota, South Dakota, Montana, northern Wisconsin, and Michigan’s Upper Peninsula.

3. AIRLINE TRAFFIC ANALYSIS

MSP is a large-hub airport, as defined by the Federal Aviation Administration (FAA), and a key connecting hub in the route network of Delta Air Lines resulting from its merger with Northwest Airlines in 2009.* Delta and its affiliated airlines had a 73% market share at MSP, as measured by passenger numbers, in 2015. Of these, 60% represented passengers connecting between flights at MSP. The central location of MSP in the continental United States allows for passenger connections that minimize routing circuitry, particularly for transcontinental trip itineraries. Additionally, the Airport is an international gateway for destinations in Canada, Europe, the Caribbean, Mexico, and Asia.

3.1 RANKING AMONG OTHER AIRPORTS

Table 6 shows the 30 largest U.S. airports ranked by enplaned passengers. By this measure, in 2015, the Airport ranked 16th. Between 2010 and 2015, the number of these passengers increased 13.7% cumulatively at the Airport.

Table 7 shows the 30 largest U.S. airports ranked by enplaned originating passengers. By this measure, in 2015, the Airport ranked 18th. Between 2010 and 2015, the number of these passengers increased 16.7% cumulatively at the Airport.

Table 8 shows the 30 largest U.S. airports ranked by connecting passengers. By this measure, in 2015, the Airport ranked 9th. Between 2010 and 2015, the number of these passengers increased cumulatively 10.4% at the Airport.

Table 9 shows the 30 largest U.S. gateway airports ranked by international enplaned passengers. By this measure, in 2015, the Airport ranked 20th. Between 2010 and 2015, the number of these passengers increased 14.1% cumulatively at the Airport.

3.1.1 Delta Air Lines

Northwest Airlines started flying mail between Minneapolis-St. Paul and Chicago in 1926. In 1986, the airline expanded its hubbing operations at Detroit and Memphis through its acquisition of Republic Airlines. Northwest was headquartered in Minneapolis-St. Paul until its 2009 merger with Atlanta-based Delta Air Lines. As of March 31, 2016, Delta employed approximately 84,000 full-time equivalent employees worldwide (including 10,000 in Minnesota) and operated a fleet of 814 aircraft.

Delta, which since its merger with Northwest has been the primary airline at MSP, has significant shares of the U.S. domestic, transatlantic, and transpacific markets. Delta operates a connecting hub at the Airport, along with other connecting hubs in Atlanta, Detroit, New York (Kennedy), Salt Lake City, Los Angeles, New York (LaGuardia), and Seattle. As shown in Table 10, MSP ranks second in Delta's U.S. airport system by total departing seats as scheduled for July 2016, second in terms of seats on domestic flights, and fourth in terms of seats on international flights.

*In all discussions of historical airline service and passenger traffic by airline in this report, unless otherwise noted, data for merged airlines are accounted for with the surviving airline (i.e., America West Airlines, Trans World Airlines, and US Airways with American Airlines; Northwest Airlines with Delta Air Lines; Continental Airlines with United Airlines; Midwest Airlines with Frontier Airlines; and AirTran Airways with Southwest Airlines).

Table 6
ENPLANED PASSENGERS AT TOP-RANKING U.S. AIRPORTS
Calendar years

2015 Rank	City (airport)	Enplaned passengers (millions)			Percent increase (decrease)	Increase (decrease)
		2005	2010	2015	2005-2015	2005-2015 (millions)
1	Atlanta	42.3	43.0	49.3	16.6%	7.0
2	Los Angeles (International)	29.3	28.9	36.5	24.2	7.1
3	Chicago (O'Hare)	36.7	32.2	36.4	(1.0)	(0.4)
4	Dallas/Fort Worth	28.0	27.0	31.6	12.7	3.6
5	New York (Kennedy)	20.2	22.9	27.9	38.3	7.7
6	Denver	20.8	25.2	26.3	26.3	5.5
7	San Francisco	16.1	19.3	24.2	50.8	8.2
8	Charlotte	14.0	18.6	21.9	56.4	7.9
9	Las Vegas	21.3	18.9	21.7	1.8	0.4
10	Phoenix (Sky Harbor)	20.3	18.9	21.4	5.1	1.0
11	Miami	15.1	17.0	21.0	39.4	5.9
12	Houston (Bush)	19.0	19.5	20.6	8.5	1.6
13	Seattle	14.3	15.4	20.1	40.6	5.8
14	Orlando (International)	16.6	17.0	18.8	13.1	2.2
15	Newark	16.4	16.6	18.7	13.8	2.3
16	Minneapolis-St. Paul	18.0	15.5	17.6	(1.9)	(0.3)
17	Boston	13.2	13.6	16.3	23.7	3.1
18	Detroit	17.6	15.6	16.3	(7.5)	(1.3)
19	Philadelphia	15.4	14.9	15.1	(1.8)	(0.3)
20	New York (LaGuardia)	13.0	12.0	14.3	10.2	1.3
21	Fort Lauderdale	10.7	10.8	13.1	22.0	2.4
22	Baltimore	9.8	10.8	11.7	19.6	1.9
23	Washington DC (Reagan)	8.6	8.7	11.2	30.4	2.6
24	Chicago (Midway)	8.4	8.5	10.8	29.2	2.4
25	Salt Lake City	10.6	9.9	10.6	0.3	0.0
26	Washington DC (Dulles)	13.0	11.3	10.4	(20.2)	(2.6)
27	San Diego	8.6	8.4	10.0	15.8	1.4
28	Honolulu	9.7	8.7	9.6	(1.3)	(0.1)
29	Tampa	9.3	8.1	9.2	(1.5)	(0.1)
30	Portland, Oregon	6.8	6.6	8.3	22.8	1.5
	Total—top 30 airports				15.5%	

Notes: Airports shown are the top 30 U.S. airports ranked by number of passengers for 2015.
Percentages were calculated using unrounded numbers.
Numbers shown for MSP may not match numbers reported by the Commission.

Source: U.S. DOT, Schedule T100.

Table 7
 ORIGINATING PASSENGERS AT TOP-RANKING U.S. AIRPORTS
 Calendar years

2015 Rank	City (airport)	Originating passengers (millions)			Percent increase (decrease)	Increase (decrease) 2005-2015 (millions)
		2005	2010	2015	2005-2015	
1	Los Angeles (International)	23.1	22.1	28.4	22.8%	5.3
2	New York (Kennedy)	17.1	18.1	22.4	31.2	5.3
3	Chicago (O'Hare)	17.2	15.6	19.5	13.6	2.3
4	San Francisco	11.8	15.0	19.2	62.7	7.4
5	Las Vegas	17.8	16.0	18.2	1.8	0.3
6	Orlando (International)	15.8	16.0	17.8	12.4	2.0
7	Atlanta	14.5	13.9	16.2	11.7	1.7
8	Denver	11.1	12.9	16.0	44.6	4.9
9	Boston	12.4	13.0	15.4	24.8	3.1
10	Seattle	10.9	11.3	13.7	26.3	2.9
11	Newark	12.4	11.7	13.5	8.2	1.0
12	Dallas/Fort Worth	11.6	11.0	13.0	12.3	1.4
13	New York (LaGuardia)	12.1	11.1	12.6	4.0	0.5
14	Miami	9.4	9.6	12.4	32.6	3.1
15	Phoenix (Sky Harbor)	12.3	10.9	12.4	0.5	0.1
16	Fort Lauderdale	10.2	10.0	11.8	15.8	1.6
17	Houston (Bush)	7.9	7.7	9.6	22.0	1.7
18	Minneapolis-St. Paul	8.5	8.1	9.4	10.3	0.9
19	Washington DC (Reagan)	7.4	7.2	9.4	27.3	2.0
20	San Diego	8.3	8.0	9.4	12.5	1.0
21	Philadelphia	10.0	8.8	9.3	(6.7)	(0.7)
22	Tampa	8.8	7.5	8.7	(1.4)	(0.1)
23	Detroit	8.3	7.5	8.4	1.0	0.1
24	Baltimore	8.2	8.3	8.1	(1.6)	(0.1)
25	Honolulu	7.8	7.0	7.8	(1.0)	(0.1)
26	Portland, Oregon	5.8	5.6	7.1	22.1	1.3
27	Washington DC (Dulles)	8.3	6.5	6.8	(17.6)	(1.5)
28	Chicago (Midway)	6.2	5.5	6.6	6.7	0.4
29	Salt Lake City	5.5	5.0	5.9	8.1	0.4
30	Charlotte	3.8	5.0	5.8	54.5	2.1
	Total—top 30 airports				15.5%	

Notes: Airports shown are the top 30 U.S. airports ranked by number of originating passengers for 2015. Percentages were calculated using unrounded numbers. Includes a small number of passengers on foreign-flag airlines making connections between international flights. Numbers shown for MSP may not match numbers reported by the Commission.

Sources: U.S. DOT, Schedule T100; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

Table 8
CONNECTING PASSENGERS AT TOP-RANKING U.S. AIRPORTS
Calendar years

2015 Rank	City (airport)	Connecting passengers (millions)			Percent increase (decrease)	Increase (decrease)
		2005	2010	2015	2005-2015	2005-2015 (millions)
1	Atlanta	27.8	29.1	33.2	19.1%	5.3
2	Dallas/Fort Worth	16.4	16.1	18.6	13.1	2.1
3	Chicago (O'Hare)	19.5	16.6	16.8	(13.8)	(2.7)
4	Charlotte	10.2	13.7	16.1	57.1	5.9
5	Houston (Bush)	11.2	11.8	11.0	(1.1)	(0.1)
6	Denver	9.7	12.3	10.3	5.6	0.5
7	Phoenix (Sky Harbor)	8.0	8.0	9.0	12.1	1.0
8	Miami	5.7	7.4	8.6	50.4	2.9
9	Minneapolis-St. Paul	9.4	7.4	8.2	(12.9)	(1.2)
10	Los Angeles (International)	6.2	6.7	8.1	29.6	1.8
11	Detroit	9.2	8.1	7.8	(15.2)	(1.4)
12	Seattle	3.4	4.1	6.4	86.0	3.0
13	Philadelphia	5.4	6.2	5.8	7.3	0.4
14	New York (Kennedy)	3.1	4.9	5.5	76.9	2.4
15	Newark	4.0	4.8	5.2	31.4	1.3
16	San Francisco	4.3	4.4	5.1	18.1	0.8
17	Salt Lake City	5.1	4.9	4.7	(8.1)	(0.4)
18	Chicago (Midway)	2.2	3.0	4.2	93.0	2.0
19	Baltimore	1.6	2.5	3.6	129.4	2.0
20	Washington DC (Dulles)	4.8	4.8	3.6	(24.7)	(1.2)
21	Las Vegas	3.5	2.9	3.5	1.6	0.1
22	Dallas (Love)	0.7	1.1	2.2	237.0	1.6
23	Houston (Hobby)	1.0	1.2	1.9	84.5	0.9
24	Washington DC (Reagan)	1.2	1.5	1.8	49.2	0.6
25	Honolulu	1.8	1.7	1.8	(2.7)	(0.1)
26	New York (LaGuardia)	0.9	0.9	1.8	93.1	0.8
27	Fort Lauderdale	0.6	0.8	1.3	133.5	0.7
28	Portland, Oregon	1.0	0.9	1.2	26.6	0.3
29	St. Louis	1.5	0.9	1.0	(30.4)	(0.5)
30	Orlando (International)	0.8	1.0	1.0	27.0	0.2
	Total—top 30 airports				16.1%	

Notes: Airports shown are the top 30 U.S. airports ranked by number of connecting passengers for 2015. Percentages were calculated using unrounded numbers. Excludes a small number of passengers on foreign-flag airlines making connections between international flights. Numbers shown for MSP may not match numbers reported by the Commission.

Sources: U.S. DOT, Schedule T100; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

Table 9
INTERNATIONAL PASSENGERS AT TOP-RANKING U.S. AIRPORTS
Calendar years

2015 Rank	City (airport)	Enplaned international passengers: (millions)			Percent increase (decrease)	Increase (decrease) 2005-2015 (millions)
		2005	2010	2015	2005-2015	
1	New York (Kennedy)	9.27	11.38	14.79	59.6%	5.53
2	Miami	7.28	8.37	10.54	44.8	3.26
3	Los Angeles (International)	8.13	7.67	9.89	21.6	1.75
4	Chicago (O'Hare)	5.44	5.16	5.81	6.7	0.37
5	Newark	4.57	5.68	5.80	27.0	1.23
6	San Francisco	3.89	4.19	5.44	39.8	1.55
7	Atlanta	3.65	4.51	5.42	48.6	1.77
8	Houston (Bush)	3.37	4.18	5.17	53.5	1.80
9	Dallas/Fort Worth	2.51	2.52	3.77	50.3	1.26
10	Washington DC (Dulles)	2.38	2.99	3.49	46.9	1.11
11	Fort Lauderdale	1.01	1.62	2.60	156.4	1.58
12	Boston	1.98	1.85	2.54	28.3	0.56
13	Honolulu	2.03	1.80	2.51	24.0	0.49
14	Orlando (International)	1.07	1.56	2.48	131.8	1.41
15	Seattle	1.11	1.36	2.17	94.5	1.05
16	Philadelphia	1.82	1.88	2.00	9.9	0.18
17	Las Vegas	0.84	1.07	1.70	103.4	0.87
18	Detroit	1.90	1.43	1.60	(15.5)	(0.29)
19	Charlotte	0.97	1.32	1.49	53.4	0.52
20	Minneapolis-St. Paul	1.31	1.13	1.29	(1.2)	(0.02)
21	Phoenix (Sky Harbor)	0.87	1.05	1.14	31.0	0.27
22	Denver	0.82	0.96	1.09	33.0	0.27
23	New York (LaGuardia)	0.77	0.54	0.94	21.4	0.17
24	Baltimore	0.29	0.20	0.51	75.1	0.22
25	Chicago (Midway)	0.10	0.05	0.38	n.a.	0.28
26	San Diego	0.16	0.13	0.35	115.6	0.19
27	Tampa	0.18	0.20	0.32	73.7	0.14
28	Portland, Oregon	0.26	0.24	0.31	18.9	0.05
29	Salt Lake City	0.19	0.23	0.28	46.0	0.09
30	San Antonio	0.09	0.06	0.24	171.7	0.15
	Total—top 30 airports				40.7%	

Notes: n.a.=not applicable. Airports shown are the top 30 U.S. airports (excluding airports in Puerto Rico, the islands of the Pacific Trust, and the U.S. Virgin Islands) ranked by number of international passengers for 2015. Percentages were calculated using unrounded numbers. Numbers shown for MSP may not match numbers reported by the Commission.

Source: U.S. DOT, Schedule T100.

Table 10
TOTAL SCHEDULED DEPARTING SEATS ON DELTA AIR LINES
Top U.S. Airports in Delta's System
(July of years shown)

2016 Rank	City (Airport)	Average daily departing seats			Average annual percent increase (decrease)	
		2005	2010	2016	2005-2010	2010-2016
Domestic						
1	Atlanta	3,752,962	3,168,457	3,648,539	(3.3)%	2.4%
2	Minneapolis-St. Paul	1,799,651	1,388,781	1,376,608	(5.1)	(0.1)
3	Detroit	1,659,334	1,354,965	1,213,579	(4.0)	(1.8)
4	Salt Lake City	973,656	845,025	822,852	(2.8)	(0.4)
5	Los Angeles	346,228	360,514	664,904	0.8	10.7
6	New York (LaGuardia)	457,159	462,926	643,579	0.3	5.6
7	New York (Kennedy)	350,204	408,554	588,579	3.1	6.3
8	Seattle	218,442	194,074	491,095	(2.3)	16.7
9	Orlando	459,490	256,895	282,136	(11.0)	1.6
10	San Francisco	182,607	177,622	257,027	(0.6)	6.4
	All other	<u>11,452,870</u>	<u>7,496,017</u>	<u>7,270,679</u>	(8.1)	(0.5)
	Total—U.S. system	21,652,603	16,113,830	17,259,577	(5.7)%	1.2%
International						
1	Atlanta	340,922	509,036	524,266	49.3%	3.0%
2	New York (Kennedy)	129,203	309,057	363,574	139.2	17.6
3	Detroit	192,099	157,193	154,672	(18.2)	(1.6)
4	Minneapolis-St. Paul	150,307	129,861	125,866	(13.6)	(3.1)
5	Seattle	16,585	34,864	99,732	110.2	186.1
6	Los Angeles	17,174	28,806	84,893	67.7	194.7
7	Salt Lake City	21,512	35,416	46,343	64.6	30.9
8	Boston	20,894	22,584	36,586	8.1	62.0
9	Honolulu	31,620	41,416	31,770	31.0	(23.3)
10	Portland	8,277	15,004	15,624	81.3	4.1
	All other	<u>144,847</u>	<u>122,191</u>	<u>86,801</u>	(15.6)	(29.0)
	Total—U.S. system	1,073,440	1,405,428	1,570,127	30.9%	11.7%
Total						
1	Atlanta	4,093,884	3,677,493	4,172,805	(10.2)%	13.5%
2	Minneapolis-St. Paul	1,949,958	1,518,642	1,502,474	(22.1)	(1.1)
3	Detroit	1,851,433	1,512,158	1,368,251	(18.3)	(9.5)
4	New York (Kennedy)	479,407	717,611	952,153	49.7	32.7
5	Salt Lake City	995,168	880,441	869,195	(11.5)	(1.3)
6	Los Angeles	363,402	389,320	749,797	7.1	92.6
7	New York (LaGuardia)	468,184	468,646	652,381	0.1	39.2
8	Seattle	235,027	228,938	590,827	(2.6)	158.1
9	Boston	397,114	255,497	291,026	(35.7)	13.9
10	Orlando	465,287	257,605	289,422	(44.6)	12.4
	All other	<u>11,427,179</u>	<u>7,612,907</u>	<u>7,391,373</u>	(33.4)	(2.9)
	Total—U.S. system	22,726,043	17,519,258	18,829,704	(22.9)%	7.5%

Notes: Columns may not add to totals shown because of rounding.

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed June 2016.

3.2 HISTORICAL AIRLINE SERVICE AND PASSENGER TRAFFIC

In addition to being a major hub for Delta, the Airport is served by a diverse group of other airlines. Table 11 lists the airlines serving the Airport as of July 2016.

Table 11 AIRLINES SERVING THE AIRPORT Minneapolis-St. Paul International Airport (as of July 1, 2016)			
U.S. AIRLINES (21)			
Air Choice One	Delta	GoJet (DL, UA)	Skywest (AS, DL, UA)
Air Wisconsin (AA)	Endeavor (DL)	Mesa (UA)	Southwest
Alaska	Envoy (AA)	PSA (AA)	Spirit
American	ExpressJet (DL, UA)	Republic (AA, UA)	Sun Country
Boutique Air	Frontier	Shuttle America (DL,UA)	United
Compass (DL)			
FOREIGN-FLAG AIRLINES (4)			
Air France	Air Georgian (AC)	Condor	Icelandair
ALL-CARGO AIRLINES (9)			
ABX Air (DHL)	CSA Air	IFL Group (FedEx)	Suburban Air Freight (DHL)
Atlas Air Cargo (DHL)	FedEx	Mountain Air Cargo	UPS
Bemidji (UPS)			
<p>Note: Major code-sharing partner airline is shown in parentheses: AA=American, AC=Air Canada, AS=Alaska, DL=Delta, UA=United.</p> <p>Source: Metropolitan Airports Commission.</p>			

Figure 6 shows the 113 domestic destinations with daily nonstop service from the Airport as scheduled for July 2016.

Figure 6
 U.S. AIRPORTS SERVED BY DAILY SCHEDULED NONSTOP PASSENGER FLIGHTS
 Minneapolis-St. Paul International Airport
 (July 2016)



Note: The Airport has daily seasonal service to an additional 5 domestic destinations not shown on the map: Harlingen, Honolulu, Palm Springs, Tucson, and Yampa Valley.

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed June 2016.

Table 12 provides detail on domestic airline service at the Airport by aircraft type and by stage length. Numbers of domestic cities served nonstop, departing flights, and departing seats all decreased between 2005 and 2016. Over the 11-year period, the reduction in airline service was most substantial on routes of less than 1,200 miles. For longer distance routes, the level of airline service remained more stable.

Between 2005 and 2010, regional jet service increased substantially, while large jet and turboprop service decreased. Between 2010 and 2016, regional jet and turboprop service decreased, while large jet service rebounded, leading to an increase of 6,200 average daily scheduled departing seats (+11%) over this period. As scheduled for July 2016, large jets account for 58% of aircraft departures and 78% of departing seats; regional jets account for almost all of the remainder.

Table 13 presents data on nonstop airline service from MSP to the top 20 domestic passenger destinations. The number of average daily flights to the top 20 domestic passenger destinations was virtually the same in 2016 as it was in 2005. As scheduled for July 2016, Delta (including affiliated Delta Connection regional airlines) provides nonstop service to all of the top 20 destinations at the Airport; 19 of the top 20 destinations are served nonstop by two or more airlines (or their affiliated regional airlines); and 18 destinations are served nonstop by low-cost carriers (LCCs)—Frontier, Southwest, Spirit, or Sun Country.

Figure 7 shows the international destinations with nonstop service from the Airport as scheduled for July 2016. Delta and 6 other airlines operate such service to 16 destinations on 3 continents.

Table 12
DAILY SCHEDULED DOMESTIC PASSENGER SERVICE
Minneapolis-St. Paul International Airport
(July of years shown)

	2005	2010	2016
Number of cities served nonstop	128	114	105
Change from previous year shown		(14)	(9)
By aircraft type:			
Total jet	115	102	104
<i>Large jet</i>	78	57	60
<i>Regional jet</i>	78	78	76
Turboprop and piston	26	18	1
By stage length:			
Short-haul (<600 mi.)	52	54	47
Medium-short haul (600-1200 mi.)	59	43	43
Medium-long haul (1200-1800 mi.)	14	14	13
Long-haul (>1800 mi.)	3	3	2
Average daily departing flights	670	558	526
Change from previous year shown		(112)	(32)
By aircraft type:			
Total jet	590	515	525
<i>Large jet</i>	412	264	307
<i>Regional jet</i>	178	251	218
Turboprop and piston	80	43	1
By stage length:			
Short-haul (<600 mi.)	312	262	209
Medium-short haul (600-1200 mi.)	262	213	215
Medium-long haul (1200-1800 mi.)	86	77	96
Long-haul (>1800 mi.)	10	7	5
Average daily departing seats	70,054	56,025	62,223
Change from previous year shown		(14,030)	6,199
By aircraft type:			
Total jet	67,443	54,582	62,217
<i>Large jet</i>	57,778	39,098	48,327
<i>Regional jet</i>	9,664	15,484	13,889
Turboprop and piston	2,612	1,443	7
By stage length:			
Short-haul (<600 mi.)	25,698	19,593	18,773
Medium-short haul (600-1200 mi.)	28,131	22,523	26,565
Medium-long haul (1200-1800 mi.)	14,218	12,506	15,886
Long-haul (>1800 mi.)	2,008	1,403	999

Note: Some destinations are served by more than one airport and some airports are served by more than one aircraft type. Includes only destinations with an average of at least 4 flights per week.

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed June 2016.

Table 13
**COMPARISON OF SCHEDULED NONSTOP SERVICE
 IN THE TOP 20 DOMESTIC ORIGINATING PASSENGER MARKETS**
 Minneapolis-St. Paul International Airport
 (July of years shown)

Rank (a)	City market	Airports included	Nonstop mileage	Airlines offering nonstop service in 2016	Average daily scheduled flight departures		
					2005	2010	2016
1	Chicago	MDW,ORD	340	AA,DL,F9,NK,UA,WN	43	42	38
2	New York	EWR,JFK,LGA	1,016	AA,DL,SY,UA	23	22	26
3	Denver	DEN	678	DL,F9,NK,SY,UA,WN	21	20	20
4	Phoenix	PHX	1,273	AA,DL,SY,WN	10	10	12
5	Los Angeles	BUR,LGB,LAX,ONT,SNA	1,526	AA,DL,NK,SY,UA	14	11	18
6	Las Vegas	LAS	1,296	DL,NK,SY	11	8	8
7	Orlando	MCO	1,310	DL,F9,SY	7	5	6
8	Washington DC/Baltimore	BWI,DCA,IAD	922	AA,DL,NK,SY,UA,WN	18	15	22
9	San Francisco	OAK,SFO,SJC	1,578	DL,UA,SY	10	11	14
10	Dallas	DAL,DFW	852	AA,DL,NK,SY	15	12	14
11	Atlanta	ATL	906	DL,NK,WN	19	15	14
12	Seattle	SEA	1,394	AS,DL,SY	11	12	12
13	Fort Myers	RSW	1,416	DL,SY	2	1	2
14	Boston	BOS	1,120	DL,NK,SY	6	6	10
15	Miami	FLL,MIA,PBI	1,494	AA,DL	3	4	3
16	Tampa	TPA	1,306	DL	2	2	2
17	San Diego	SAN	1,529	DL,SY	5	5	5
18	Philadelphia	PHL	977	AA,DL,NK	10	9	9
19	Houston	HOU,IAH	1,034	DL,NK,UA	10	10	11
20	St. Louis	STL	448	DL,WN	<u>13</u>	<u>9</u>	<u>8</u>
Total—top 20 markets					252	226	256
All other markets					<u>417</u>	<u>331</u>	<u>270</u>
Total—all markets					670	558	526

Airport legend: MDW=Chicago (Midway), ORD=Chicago (O'Hare), EWR=Newark, JFK=New York (Kennedy), LGA=New York (LaGuardia), DEN=Denver, PHX=Phoenix Sky Harbor, BUR=Burbank, LGB=Long Beach, LAX=Los Angeles, ONT=Ontario, SNA=Santa Ana, LAS=Las Vegas, MCO=Orlando, BWI=Baltimore, DCA=Washington (Reagan), IAD=Washington (Dulles), OAK=Oakland, SFO=San Francisco, SJC=San Jose, DAL=Dallas Love Field, DFW=Dallas/Fort Worth, ATL=Atlanta, SEA=Seattle, RSW=Fort Myers, BOS=Boston, FLL=Fort Lauderdale, MIA=Miami, PBI=West Palm Beach, TPA=Tampa, SAN=San Diego, PHL=Philadelphia, HOU=Houston (Hobby), IAH=Houston (Bush), STL=St. Louis.

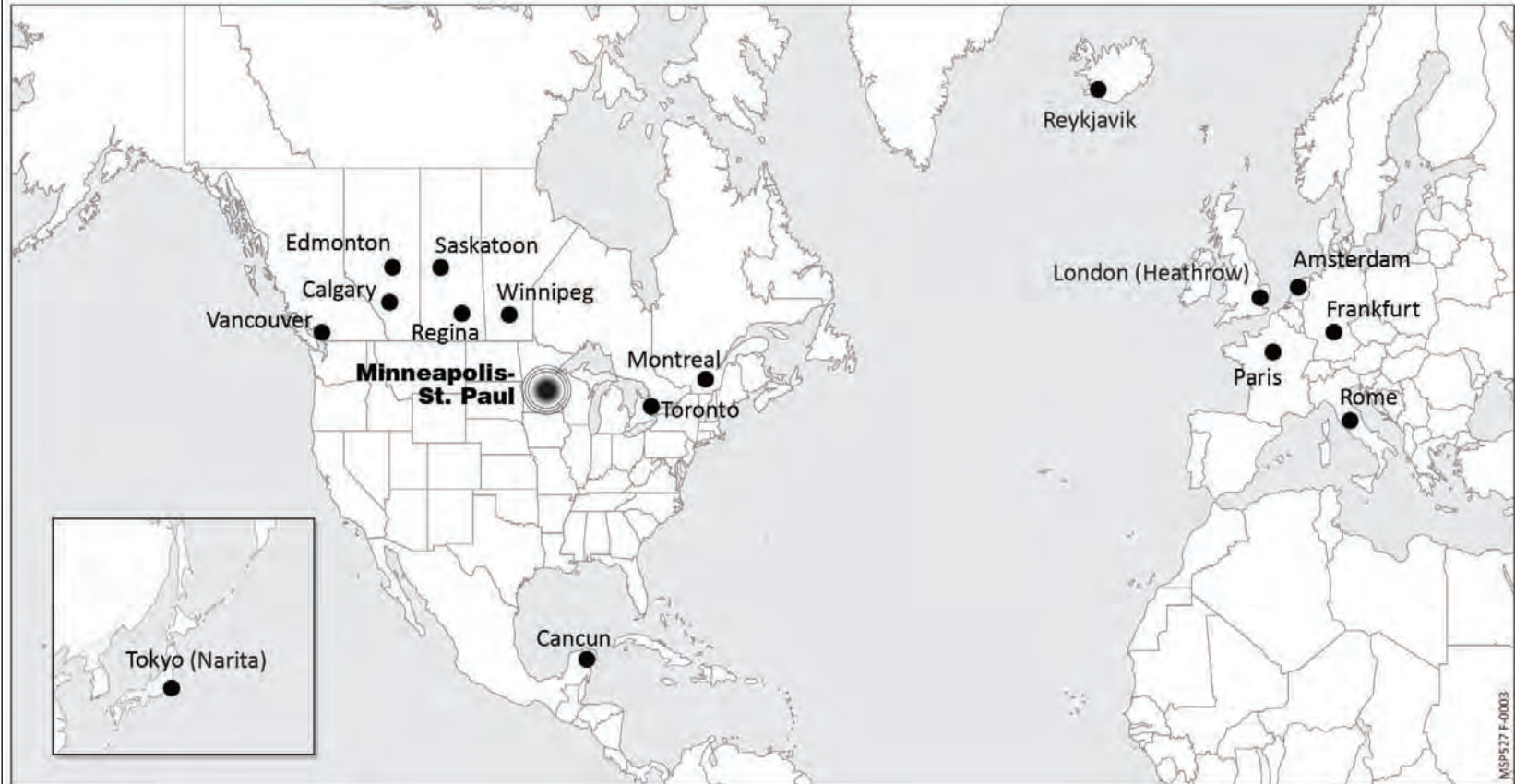
Carrier legend: AA=American, AS=Alaska, DL=Delta, F9=Frontier, NK=Spirit, SY=Sun Country, UA=United, WN=Southwest.

(a) Top 20 city markets ranked by domestic outbound originating passengers for calendar year 2015.

(b) Each mainline carrier and its code-sharing affiliates were counted as one airline.

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed June 2016.

Figure 7
INTERNATIONAL AIRPORTS SERVED BY SCHEDULED NONSTOP PASSENGER FLIGHTS
Minneapolis-St. Paul International Airport
(July 2016)



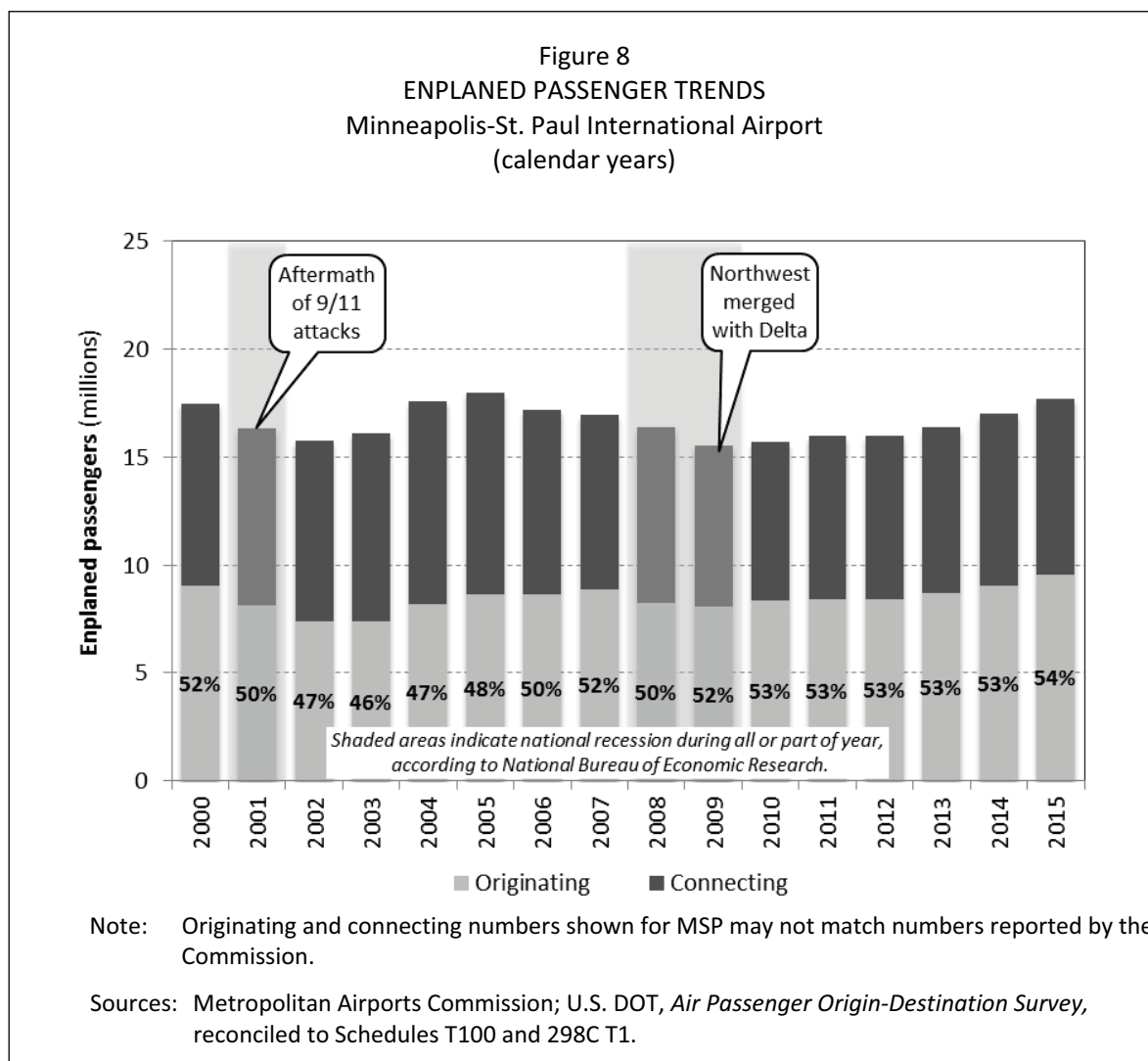
Note: The Airport has seasonal service to an additional 13 international destinations not shown on the map: Cozumel, Grand Cayman, Huatulco, Liberia, Los Cabos, Manzanillo, Mazatlán, Montego Bay, Nassau, Puerto Vallarta, Punta Cana, St. Martin, and Zihuatanejo.

Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed June 2016.

3.2.1 Passenger Traffic Trends

Figure 8 shows historical passenger enplanements at the Airport by originating and connecting components. After the 2001 economic recession and the September 2001 terrorist attacks, which resulted in decreased passenger traffic in 2001 and 2002, the number of enplaned passengers at the Airport recovered and reached a record level of 18.0 million in 2005. The decline in passengers that followed reflected Northwest’s hub downsizing during its bankruptcy in 2006 and 2007 and the effects of the economic recession in 2008 and 2009. Since 2009, passenger volumes have increased for 6 consecutive years, resulting in 17.6 million enplanements in 2015.

In 2015, 54% of passengers at MSP either originated their trips at, or were destined for, the Airport. The remaining 46% of passengers connected between flights at the Airport. This ratio is not materially different than it was 15 years prior, nor has it changed materially since Delta’s 2009 merger with Northwest.



According to Airport passenger surveys for the first quarter of 2016 (the most recent available), 39% of passengers at MSP were traveling for business-related purposes and 61% were traveling for non-business purposes. As reported in the quarterly surveys, there is modest seasonal variation in trip purpose, with non-business travel peaking in the summer (accounting for 72% of surveyed passengers the third quarter of 2015).

As shown in Table 14, in 2015, Delta accounted for 53.5% of originating passengers and 95.5% of connecting passengers at the Airport. Connecting passengers on Delta accounted for 60.3% of the airline's enplaned passengers at MSP.

	Enplaned passengers			Distribution by airline		
	Delta	All other airlines	All Airlines	Delta	All other airlines	All Airlines
By sector						
Domestic	11,846,282	4,586,405	16,432,687	91.8%	95.1%	92.7%
International	<u>1,063,699</u>	<u>237,913</u>	<u>1,301,612</u>	<u>8.2</u>	<u>4.9</u>	<u>7.3</u>
Total	12,909,981	4,824,318	17,734,299	100.0%	100.0%	100.0%
By type of passenger						
Originating - resident (a)	3,330,175	2,386,768	5,716,943	25.8%	49.5%	32.2%
Originating - visitor (b)	<u>1,791,210</u>	<u>2,071,308</u>	<u>3,862,518</u>	<u>13.9</u>	<u>42.9</u>	<u>21.8</u>
Subtotal originating	5,121,385	4,458,076	9,579,461	39.7%	92.4%	54.0%
Connecting	<u>7,788,596</u>	<u>366,242</u>	<u>8,154,838</u>	<u>60.3</u>	<u>7.6</u>	<u>46.0</u>
Total	12,909,981	4,824,318	17,734,299	100.0%	100.0%	100.0%
Share of passengers						
Originating	53.5%	46.5%	100.0%			
Connecting	95.5	4.5	100.0			
Total	72.8	27.2	100.0			
Note: Rows and columns may not add to totals shown because of rounding. Percentages were calculated based on unrounded numbers. Originating and connecting numbers shown for MSP may not match numbers reported by the Commission.						
(a) Originating-resident passengers are defined as those passengers whose flight itineraries began at MSP.						
(b) Originating-visitor passengers are defined as those passengers whose flight itineraries began at airports other than MSP.						
Sources: Metropolitan Airports Commission; U.S. DOT, <i>Air Passenger Origin-Destination Survey</i> , reconciled to Schedule T100.						

Passenger Traffic Trends by Segment

Table 15 shows historical enplaned passenger numbers at the Airport by originating and connecting components. The total number of enplaned passengers at MSP increased an average of 2.4% per year from 2010 through 2015. Originating passengers drove more of the growth, increasing an average of 2.8% per year compared with 2.1% per year for connecting passengers.

Originating passengers represented 54.0% of total enplaned passengers at the Airport in 2015, up slightly from 53.1% in 2010. Table 15 shows that domestic passengers account for most of the originating passengers. The other major passenger segment at MSP—connecting passengers—represented 46.0% of total enplaned passengers in 2015. Connecting passengers are categorized into two groups: (1) connections from one domestic flight to another and (2) connections between a domestic flight and an international flight. In 2015, domestic-domestic connections accounted for 84% of all connecting passengers at MSP, while domestic-international connections accounted for the remaining 16%.

Domestic Originating Passenger and Airfare Trends

Table 16 presents data on domestic originating passengers and average airfares for the top 20 domestic destinations from MSP. For the Airport's top 20 domestic destinations taken together, between 2005 and 2015 average airfares increased 2.3% per year while passenger numbers increased 1.6% per year. Growth over this period was entirely attributable to an increase in passenger traffic to the top 20 destinations.

The influence of airfares on passenger numbers is apparent for particular destinations, such as Chicago-O'Hare, Phoenix, Tampa, Houston, and St. Louis, where airfares have increased at below average rates and passenger numbers have increased at above average rates. However, the relationship between airfares and passengers is complex, and other factors, such as route circuitry, also affect trends. For instance, new or additional nonstop service in a market can stimulate demand while, at the same time, passengers typically are willing to pay more for such service than for travel to the same destinations on itineraries including one or more connections. For this reason, passengers and average airfares sometimes trend in the same direction in certain markets.

The average airfares shown in Table 16, as reported by the airlines to the U.S. DOT, exclude ancillary charges, such as those for checked baggage, preferred seating, in-flight meals, entertainment, and ticket changes that have become widespread in the airline industry since 2006. As a result, the average airfares shown understate the amount actually paid by airline passengers for their travel in 2015. Ancillary charges that were previously included in the ticket price are not all separately reported to the U.S. DOT. They have been estimated by industry analysts to amount to an effective average surcharge on domestic airfares of approximately 5% of ticket fare revenues, although the percentage varies widely by airline.

Table 15
ENPLANED PASSENGERS BY COMPONENT
Minneapolis-St. Paul International Airport
(enplaned passengers in thousands)

Year	Originating passengers			Connecting passengers			Total enplaned passengers
	Domestic	International	Total	Domestic-domestic	Domestic-international (a)	Total	
2010	7,408	940	8,348	6,100	1,268	7,367	15,715
2011	7,494	925	8,419	6,317	1,236	7,553	15,972
2012	7,495	946	8,441	6,391	1,188	7,579	16,020
2013	7,689	991	8,680	6,495	1,195	7,690	16,370
2014	8,056	1,012	9,069	6,753	1,186	7,939	17,008
2015	8,456	1,123	9,579	6,886	1,269	8,155	17,734
Average annual percent increase (decrease)							
2010-2015	2.7%	3.6%	2.8%	2.5%	0.0%	2.1%	2.4%
Annual percent increase (decrease)							
2010-2011	1.2%	(1.5%)	0.9%	3.6%	(2.5%)	2.5%	1.6%
2011-2012	0.0	2.3	0.3	1.2	(3.9)	0.3	0.3
2012-2013	2.6	4.7	2.8	1.6	0.6	1.5	2.2
2013-2014	4.8	2.1	4.5	4.0	(0.7)	3.2	3.9
2014-2015	5.0	11.0	5.6	2.0	7.0	2.7	4.3
Share of Airport total							
2010	47.1%	6.0%	53.1%	38.8%	8.1%	46.9%	100.0%
2015	47.7	6.3	54.0	38.8	7.2	46.0	100.0

Note: Rows and columns may not add to totals shown because of rounding.
Percentages were calculated based on unrounded numbers.
Originating and connecting numbers shown for MSP may not match numbers reported by the Commission.

(a) Passengers connecting from domestic flights to international flights, and vice-versa.

Sources: Metropolitan Airports Commission; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

Table 16
PASSENGERS IN THE TOP 20 DOMESTIC ORIGINATING MARKETS
Minneapolis-St. Paul International Airport
(calendar years; passengers in thousands; ranked by 2015 passengers)

Rank	City market	Airports included	Domestic outbound O&D passengers on scheduled flights						Average one-way fare paid (a)			
					Market as % of total		2005-2015 Change				2005-2015 Change	
			2005	2015	2005	2015	Absolute	Average %	2005	2015	Absolute	Average %
1	Chicago	MDW,ORD	542	631	7.1%	7.5%	89	1.5%	\$102.51	\$114.78	\$12.28	1.1%
	O'Hare	ORD	333	404	4.4	4.8	71	2.0	111.44	114.76	3.32	0.3
	Midway	MDW	209	226	2.7	2.7	18	0.8	88.24	114.81	26.58	2.7
2	New York	EWR,JFK,LGA	412	428	5.4	5.1	15	0.4	192.44	262.16	69.72	3.1
3	Denver	DEN	326	408	4.3	4.9	82	2.3	88.85	120.00	31.15	3.1
4	Phoenix	PHX	329	407	4.3	4.9	78	2.1	132.96	148.07	15.11	1.1
5	Los Angeles	BUR,LGB,LAX,ONT,SNA	367	399	4.8	4.8	32	0.8	157.70	206.36	48.66	2.7
6	Las Vegas	LAS	317	365	4.2	4.4	47	1.4	115.47	139.66	24.19	1.9
7	Orlando	MCO	307	336	4.0	4.0	29	0.9	113.43	150.87	37.43	2.9
8	Washington DC/Baltimore	BWI,DCA,IAD	305	335	4.0	4.0	29	0.9	174.40	204.10	29.71	1.6
9	San Francisco	OAK,SFO,SJC	265	307	3.5	3.7	42	1.5	185.04	233.69	48.64	2.4
10	Dallas	DAL,DFW	225	268	3.0	3.2	43	1.8	113.08	166.38	53.30	3.9
11	Atlanta	ATL	207	246	2.7	2.9	39	1.7	130.81	198.24	67.43	4.2
12	Seattle	SEA	189	216	2.5	2.6	27	1.3	148.09	190.17	42.07	2.5
13	Fort Myers	RSW	147	213	1.9	2.5	66	3.8	121.14	161.36	40.22	2.9
14	Boston	BOS	149	211	2.0	2.5	62	3.6	199.22	240.04	40.82	1.9
15	Miami	FLL,MIA,PBI	180	206	2.4	2.5	26	1.4	142.54	191.64	49.10	3.0
16	Tampa	TPA	126	171	1.7	2.0	46	3.1	135.93	154.78	18.85	1.3
17	San Diego	SAN	140	154	1.8	1.8	14	0.9	146.55	200.95	54.40	3.2
18	Philadelphia	PHL	126	140	1.7	1.7	14	1.1	188.00	225.29	37.29	1.8
19	Houston	HOU,IAH	102	135	1.3	1.6	33	2.8	178.07	209.86	31.79	1.7
20	St. Louis	STL	<u>112</u>	<u>130</u>	<u>1.5</u>	<u>1.5</u>	<u>18</u>	1.5	161.51	180.10	18.59	1.1
	Total—top 20 markets		4,873	5,704	64.1%	68.0%	831	1.6%	\$141.66	\$178.33	\$36.66	2.3%
	All other markets		<u>2,733</u>	<u>2,680</u>	<u>35.9</u>	<u>32.0</u>	<u>-52</u>	(0.2)	176.34	241.16	64.81	3.2
	Total—all markets		7,606	8,384	100.0%	100.0%	779	1.0%	\$154.12	\$198.41	\$44.29	2.6%

Note: See airport legend with Table 13. Figures may not add to totals shown because of rounding.

(a) Average fares shown are net of taxes, fees, passenger facility charges, and ancillary fees charged by the airlines.

Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

Figure 9 shows that the trend in domestic originating passengers since 2005 at the Airport has closely resembled the nationwide trend.

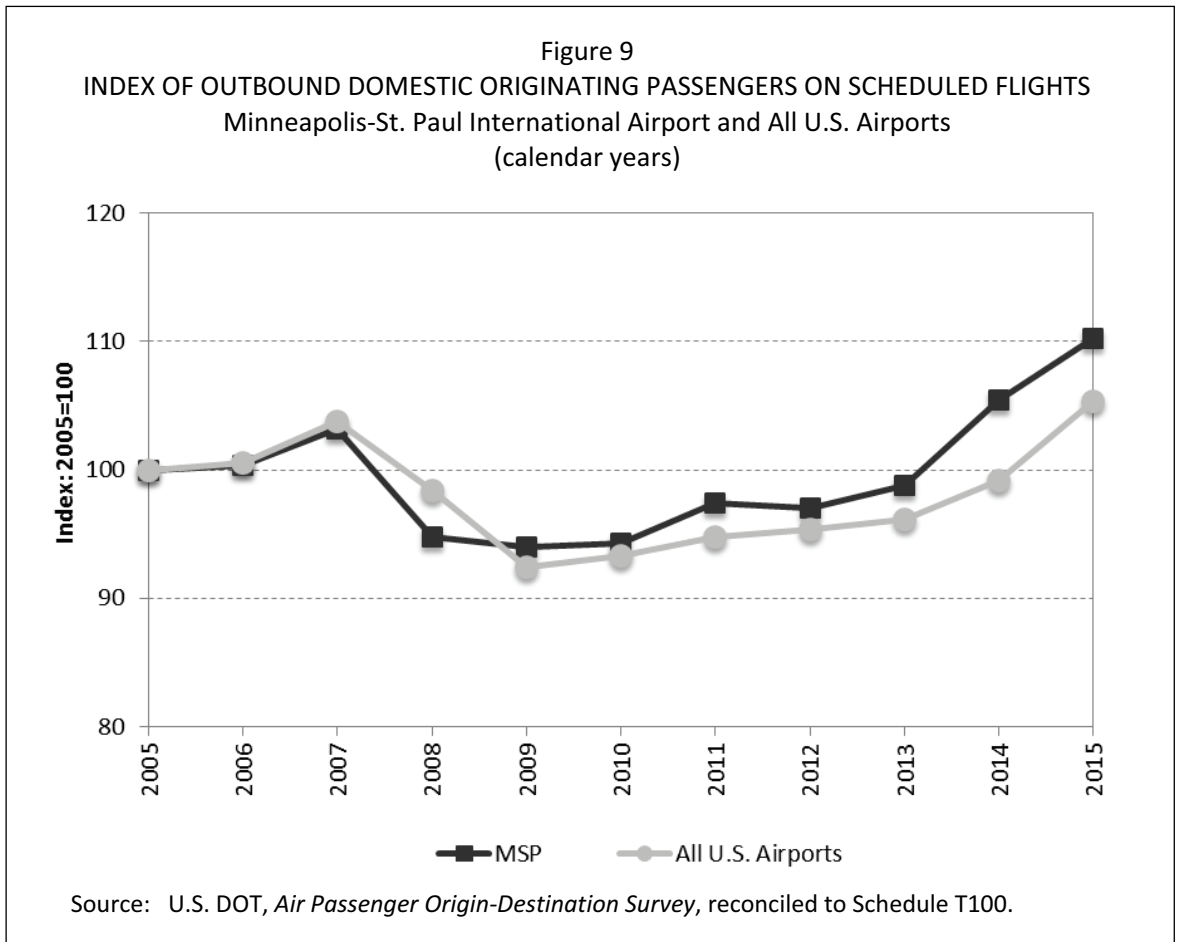
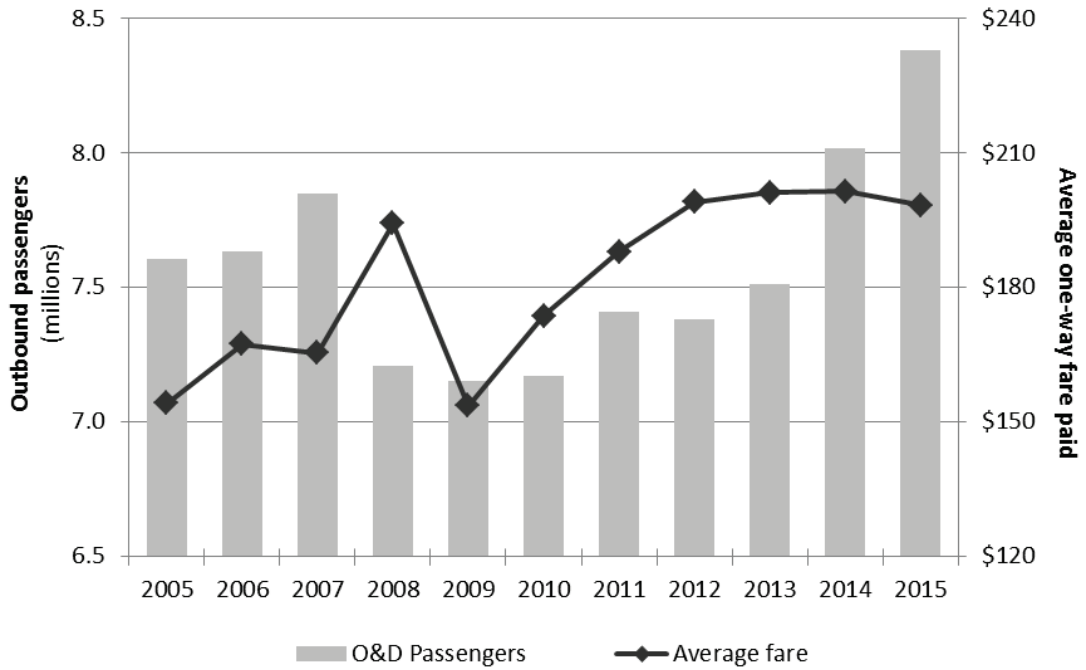


Figure 10 shows domestic originating passengers and average domestic airfares at the Airport from 2005 to 2015. In general, fare increases dampen or limit travel demand while fare decreases tend to stimulate demand. In 2008, a 17% increase in average airfares corresponded with an 8% decrease in domestic originating passengers. In an effort to reignite travel demand during the economic recession, airlines reduced average airfares in 2009. From 2010 to 2012, domestic originating passenger levels increased slowly at the Airport as average airfares rose more quickly. However, since 2012, average domestic airfares have experienced no net increase at the Airport while the number of domestic originating passengers has accelerated, increasing 14%.

Figure 10
 DOMESTIC ORIGINATING PASSENGERS AND AVERAGE FARE PAID
 Minneapolis-St. Paul International Airport
 (calendar years)



Note: Average one-way fares shown are net of all taxes, fees, passenger facility charges and ancillary fees charged by the airlines.

Sources: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

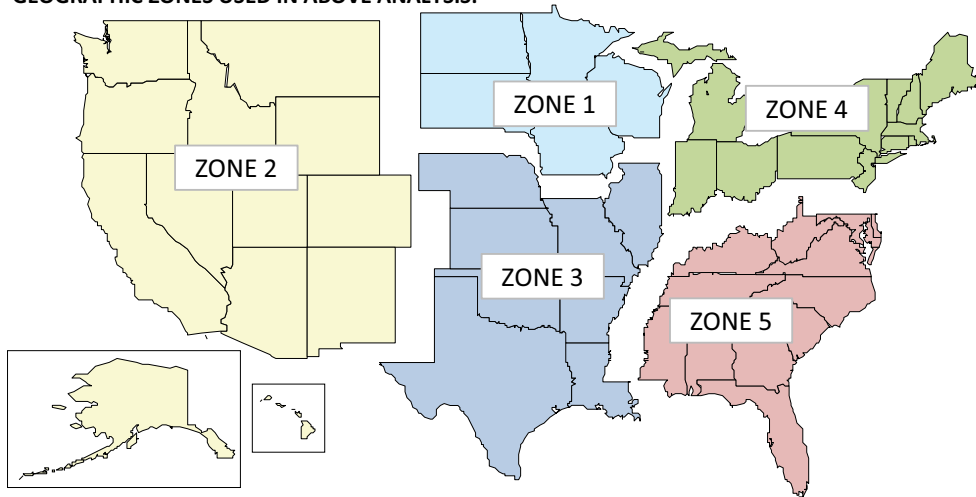
Connecting Passengers

At MSP, approximately 6.6 million passengers connected from one domestic Delta flight to another during 2015. These passengers accounted for 95% of all domestic-to-domestic connections at the Airport. Table 17 presents a breakdown of these connecting passengers by geographic zones of origin and destination.

Table 17
PASSENGERS CONNECTING BETWEEN DELTA DOMESTIC FLIGHTS
BY U.S. GEOGRAPHIC ZONE
Minneapolis-St. Paul International Airport
(calendar year 2015, in thousands)

Destination zone	Total all regions	Destination zone, % of total	Origin zone				
			Zone 1	Zone 2	Zone 3	Zone 4	Zone 5
TOTAL - All Domestic Connections	6,563		1,372	2,237	815	1,273	865
Origin zone, % of total			20.9%	34.1%	12.4%	19.4%	13.2%
Zone 1 (States around MSP)	1,374	20.9%	69	551	229	228	298
Zone 2 (Western U.S. states)	2,191	33.4	550	14	302	848	478
Zone 3 (Mid-U.S. states)	820	12.5	228	305	68	156	63
Zone 4 (Northeast U.S. states)	1,293	19.7	232	873	152	12	24
Zone 5 (Southeast U.S. states)	886	13.5	294	495	64	30	2

GEOGRAPHIC ZONES USED IN ABOVE ANALYSIS:



Notes: Includes connections between flights operated by Delta and its regional code-sharing affiliates. LeighFisher defined the geographic zones for the purpose of this analysis. Columns and rows may not add to totals shown because of rounding.

Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

Approximately 42% of these Delta passengers connecting at MSP either originated in Zone 1 or were destined for points in Zone 1. For many, if not most, of these Zone 1 passengers, who represent a material share (15%) of total enplanements at MSP, the Airport serves as a “natural hub” connecting communities in the Dakotas, Minnesota, northern Iowa, and western Wisconsin to each other and to points across the United States. Even in the absence of Delta’s hubbing operation, many of these passengers would likely continue to use MSP as their primary connection to the national air transportation system and, hence, that traffic would likely be assumed by another carrier operating out of MSP.

Approximately 41% of the connecting passengers are transcontinental passengers traveling between Zone 2 in the west and Zones 4 and 5 in the east. In this sense, the Airport fulfills a hubbing role similar to Detroit, also a key hub in the Delta network, and Chicago-O’Hare in the American and United networks. Delta’s largest hub in Atlanta, by virtue of its location, serves both transcontinental and north-south passenger flows in the eastern United States, in addition to serving as the airline’s largest international gateway.

Based on: (1) the natural hub concept described above, (2) the sizeable flows via MSP of transcontinental traffic between Zone 2 on the one hand and Zones 4 and 5 on the other, and (3) the Airport’s role as the second-largest Delta hub following the integration of the Delta and Northwest route networks, it is reasonable to expect that Delta will continue to operate a hub at MSP during the forecast period.

3.2.2 Airline Shares of Enplaned Passengers

Table 18 shows that Delta and its regional affiliates accounted for the majority (72.8%) of all enplaned passengers at the Airport in 2015. This share is lower than Delta and Northwest’s combined share of passengers in 2005 (81.7%), and reflects a streamlining of the combined airlines’ operations post-merger as well as the growth of LCCs serving the Airport. Between 2005 and 2015, the share of passengers enplaned at the Airport by LCCs (Sun Country, Southwest, Spirit, and Frontier) nearly tripled, increasing from 5.6% to 15.3%. American, the second-ranking airline at MSP, accounted for 6.3% of the Airport’s enplaned passengers in 2015.

Table 18
AIRLINE SHARES OF TOTAL ENPLANED PASSENGERS
Minneapolis-St. Paul International Airport

(calendar years; enplaned passengers in thousands; listed in descending order by 2015)

Published carrier	2005	2010	2011	2012	2013	2014	2015
Delta	14,689	12,356	12,357	12,260	12,254	12,600	12,910
<i>Mainline</i>	12,781	8,454	8,042	7,953	8,077	8,595	9,139
<i>Regional affiliates</i>	1,908	3,902	4,316	4,307	4,177	4,005	3,771
American	985	1,010	1,026	1,102	1,159	1,092	1,118
Sun Country	729	470	554	616	758	815	1,029
Southwest	150	762	905	893	903	948	941
United	776	726	716	682	615	643	783
Spirit	-	-	-	109	307	495	518
Frontier	121	250	260	192	178	229	227
Alaska	-	94	95	85	94	92	96
Air Canada	21	21	26	30	33	38	41
Air France	-	-	-	-	21	19	30
Icelandair	42	21	22	21	21	20	29
All Other	<u>473</u>	<u>5</u>	<u>8</u>	<u>30</u>	<u>30</u>	<u>14</u>	<u>12</u>
Total	17,984	15,715	15,972	16,020	16,370	17,008	17,734

Share of total

	2005	2010	2011	2012	2013	2014	2015
Delta	81.7%	78.6%	77.4%	76.5%	74.9%	74.1%	72.8%
<i>Mainline</i>	71.1	53.8	50.3	49.6	49.3	50.5	51.5
<i>Regional affiliates</i>	10.6	24.8	27.0	26.9	25.5	23.6	21.3
American	5.5	6.4	6.4	6.9	7.1	6.4	6.3
Sun Country	4.1	3.0	3.5	3.8	4.6	4.8	5.8
Southwest	0.8	4.9	5.7	5.6	5.5	5.6	5.3
United	4.3	4.6	4.5	4.3	3.8	3.8	4.4
Spirit	-	-	-	0.7	1.9	2.9	2.9
Frontier	0.7	1.6	1.6	1.2	1.1	1.3	1.3
Alaska	-	0.6	0.6	0.5	0.6	0.5	0.5
Air Canada	0.1	0.1	0.2	0.2	0.2	0.2	0.2
Air France	-	-	-	-	0.1	0.1	0.2
Icelandair	0.2	0.1	0.1	0.1	0.1	0.1	0.2
All Other	<u>2.6</u>	<u>0.0</u>	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: Columns may not add to totals shown because of rounding.
Passengers reported by regional affiliates have been grouped with their respective code-sharing partners.
In 2010 and 2011, a small number of passengers on regional affiliates could not be grouped with their partner airline and are included in other.

Sources: Metropolitan Airports Commission.

3.2.3 International Markets

Table 19 shows that 1.3 million passengers (both originating and connecting) boarded international flights at MSP in 2015—1% lower than the number in 2005, but 19% higher than the number in 2012. An additional 452,000 passengers, bound for international destinations in 2015, boarded domestic flights operating from MSP to other U.S. gateway airports, but these passengers are not reflected in the figures in Table 19.

<u>Type of flight</u>	2005	2010	2011	2012	2013	2014	2015
Total	1,308	1,133	1,106	1,083	1,137	1,176	1,293
Scheduled	1,196	1,132	1,104	1,082	1,135	1,175	1,291
Canada	549	472	451	454	459	463	489
Europe	364	349	367	371	414	404	434
Mexico	111	167	168	146	146	176	216
Japan	131	113	95	73	72	79	76
Caribbean	9	21	18	20	21	30	49
Other	32	10	6	18	23	23	27
Non-scheduled (charter)	112	1	2	1	2	2	2
Mexico	93	-	0	0	0	-	0
Caribbean	17	0	1	0	0	-	0
Other	1	1	1	1	2	2	1

Notes: Columns may not add to totals shown because of rounding.
Includes both originating and connecting passengers enplaning on international flights at the Airport.

Source: U.S. DOT, Schedule T100.

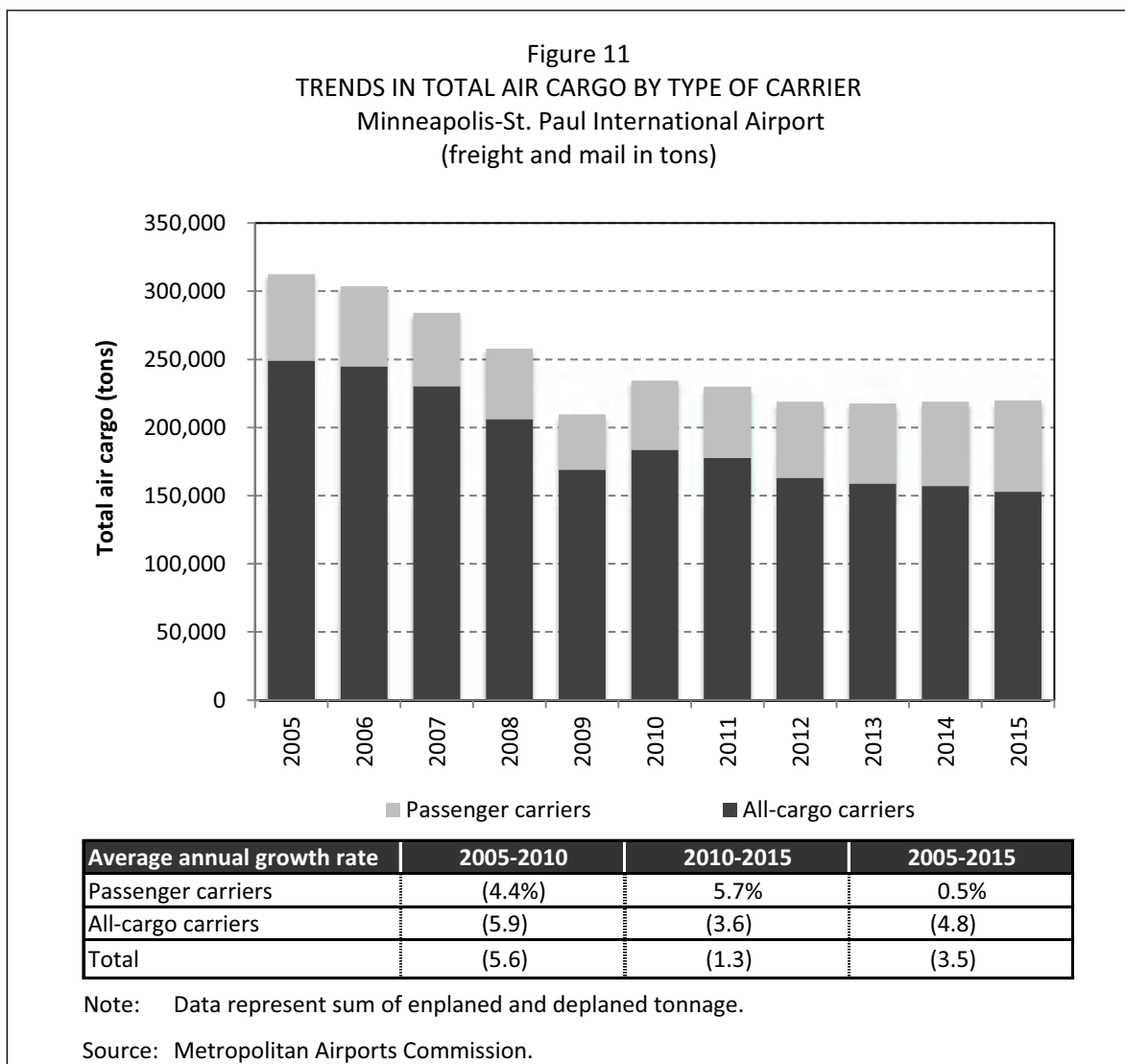
Nearly all passengers boarding international flights at MSP in 2015 boarded scheduled flights (99.9% of international passengers). Charter (i.e., non-scheduled) flights accommodated the remaining 0.1% of international passengers, down from 8.5% in 2005 due to Sun Country’s shift away from charter flying in favor of scheduled service.

Passengers boarding flights bound for Canada accounted for the largest share (38%) of international enplaned passengers at MSP in 2015. Passengers boarding flights to Europe accounted for 34% of international enplaned passengers, while those boarding flights to Mexico accounted for 17%. The remaining 11% of international enplaned passengers boarded flights to Japan, the Caribbean, and other world areas.

In June 2016, Sun Country was granted permission by the U.S. DOT to offer two weekly flights to Cuba (one each to Santa Clara and Matanzas) from the Airport. Launch of such service could be as soon as winter 2016-17.

3.2.4 Air Cargo Activity

Figure 11 shows that air cargo activity at the Airport has declined since 2005. Total cargo tonnage handled at the Airport in 2015 was 30% lower than the amount handled in 2005. This decrease in cargo weight, both at the Airport and nationwide, is attributable to a number of factors including post-September 2001 security restrictions on the carriage of freight and mail on passenger aircraft and the increased use of time-definite ground transportation modes as the relative operating economics of air and truck modes have changed.



The top two carriers of cargo at the Airport in 2015 were all-cargo carriers (FedEx and UPS) that together represented nearly two-thirds of all cargo handled.

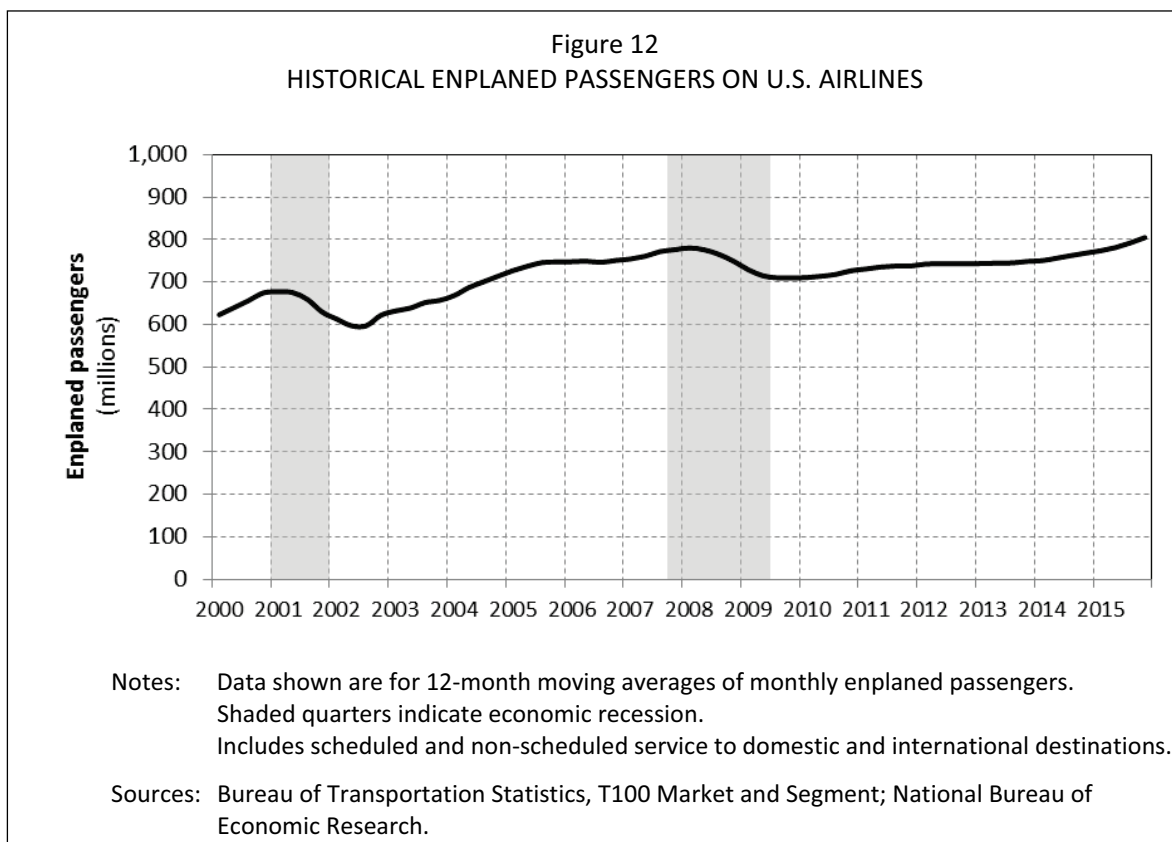
3.3 KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

In addition to the demographics and economy of the MSA, as discussed earlier, key factors that will affect future airline traffic at the Airport include:

- National economic conditions
- International economic, political, and security conditions
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Availability and price of aviation fuel
- Aviation safety and security concerns
- Capacity of the national air traffic control system
- Capacity of the Airport

3.3.1 National Economic Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. As illustrated on Figure 12, recessions in the U.S. economy in 2001 and 2008-2009 and associated high unemployment reduced discretionary income and coincided with reduced airline travel in those years. Sustained future increases in passenger traffic at the Airport will depend on national economic growth.

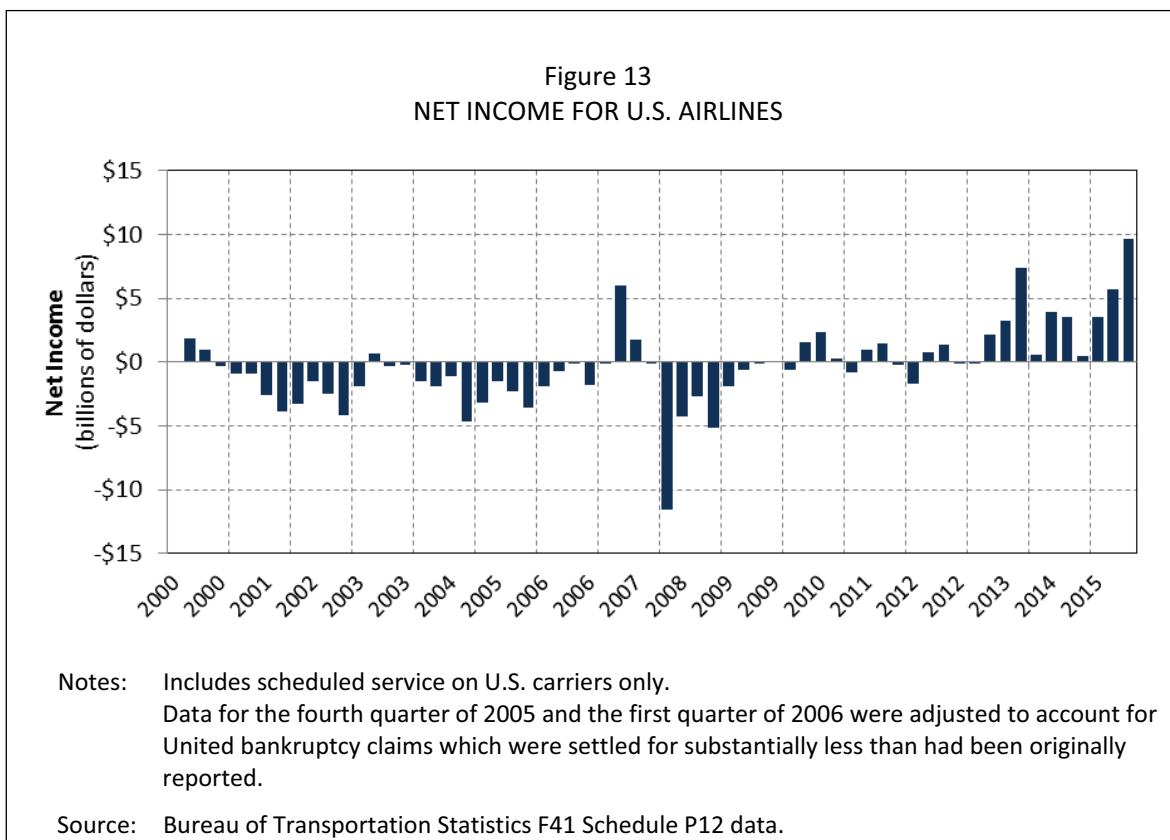


3.3.2 International Economic, Political, and Security Conditions

With the globalization of business and the increased importance of international trade and tourism, international economics, trade balances, currency exchange rates, and political relationships all influence passenger traffic at major U.S. airports. Concerns about hostilities and other perceived security and public health risks also affect travel demand to particular international destinations. Sustained future increases in passenger traffic at the Airport will depend on global economic growth as well as stable and secure international conditions.

3.3.3 Financial Health of the Airline Industry

The number of passengers at the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines, particularly Delta, to make the necessary investments to provide service. Figure 13 shows historical net income for U.S. airlines.



As a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry experienced huge financial losses. In 2001 through 2006, the major U.S. passenger airlines collectively recorded net losses of approximately \$46 billion. To mitigate those losses, all of the major network airlines restructured their route networks and flight schedules and reached agreements with their employees, lessors, vendors, and creditors to cut costs, either under Chapter 11 bankruptcy protection or the possibility of such. Between 2002 and 2005, Delta, Northwest, United, and US Airways all filed for bankruptcy protection and restructured their operations.

In 2007, the U.S. passenger airline industry as a whole was profitable, recording net income of approximately \$7 billion, but in 2008, as oil and aviation fuel prices increased to unprecedented levels, the industry experienced a profitability crisis. In 2008 and 2009, the U.S. passenger airline industry recorded net losses of approximately \$26 billion. The industry responded by, among other actions, grounding less fuel-efficient aircraft, eliminating unprofitable routes and hubs, reducing seat capacity, and increasing airfares. Between 2007 and 2009, the U.S. passenger airlines collectively reduced domestic capacity (as measured by available seat-miles) by approximately 10%.

From 2010 to 2013, the U.S. passenger airline industry as a whole recorded net income of approximately \$18 billion, notwithstanding sustained high fuel prices, by controlling capacity and nonfuel expenses, increasing airfares, recording high load factors, and increasing ancillary revenues. Between 2009 and 2013, the airlines collectively increased domestic seat-mile capacity by an average of 1.0% per year. American filed for bankruptcy protection in 2011. In 2014, the U.S. passenger airline industry reported net income of \$9 billion, assisted by reduced fuel prices in the second half of the year (as discussed in the later section, "Availability and Price of Aviation Fuel"). In 2015, the industry then achieved record net income of \$27 billion as fuel prices decreased further, demand remained strong, and capacity control allowed average fares to remain high.

Sustained industry profitability will depend on, among other factors, economic growth to support airline travel demand, continued capacity control to enable increased airfares, and stable fuel prices. Consolidation of the U.S. airline industry has resulted from the acquisition of Trans World by American (2001), the merger of US Airways and America West (2005), the merger of Delta and Northwest (2009), the merger of United and Continental (2010), the acquisition of AirTran by Southwest (2011), and the merger of American and US Airways (2013).

Such consolidation has resulted in four airlines (American, Delta, Southwest, and United) and their regional affiliates now accounting for approximately 80% of domestic seat-mile capacity. The consolidation is expected by airline industry analysts to contribute to industry profitability. However, any resumption of financial losses could cause U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines would drastically affect airline service at certain connecting hub airports, present business opportunities for the remaining airlines, and change airline travel patterns nationwide. In April 2016, Alaska Air Group, parent of Alaska Airlines, announced that it will acquire Virgin America Airlines. In 2015, the two airlines together accounted for 6.6% of domestic U.S. airline industry seat-mile capacity. The proposed acquisition is subject to regulatory approval. Alaska Airlines serves the Airport, accounting for 0.5% of total enplaned passengers in 2015, while Virgin America does not serve the Airport.

3.3.4 Airline Service and Routes

The Airport accommodates travel demand to and from the MSA and serves as a connecting hub. The number of origin and destination passengers at the Airport depends on the intrinsic attractiveness of the region as a business and leisure destination, the propensity of its residents to travel, and the airline fares and service provided at the Airport and at other competing airports. The number of connecting passengers, on the other hand, depends entirely on airline fares and service.

The large airlines have developed hub-and-spoke systems that allow them to offer high-frequency service to many destinations. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends on the route networks and flight schedules of the airlines serving that airport and competing hub airports. Since 2003, as the U.S.

airline industry has consolidated, airline service has been drastically reduced at many former connecting hub airports, including those serving St. Louis (American, 2003-2005), Dallas-Fort Worth (Delta, 2005), Pittsburgh (US Airways, 2006-2008), Las Vegas (US Airways, 2007-2010), Cincinnati (Delta, 2009-2011), Memphis (Delta, 2011-2013), and Cleveland (United, 2014).

As discussed in earlier sections, the Airport serves as a primary connecting hub for Delta. As a result, much of the connecting passenger traffic at the Airport results from the route network and flight schedule of Delta rather than the economy of the MSA. If Delta were to reduce connecting service at the Airport, such service would not necessarily be replaced by other airlines, although reductions in service by any airline would create business opportunities for others. A hypothetical reduction in passenger traffic as a result of reduced connecting airline service at the Airport is discussed in the later section "Stress Test Scenario."

3.3.5 Airline Competition and Airfares

Airline fares have an important effect on passenger demand, particularly for relatively short trips for which automobile and other surface travel modes are potential alternatives, and for price-sensitive "discretionary" travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend, in part, on the level of airfares.

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for U.S.-flag airlines decreased from 16.1 cents to 13.8 cents per passenger-mile. In 2006 through 2008, as airlines reduced capacity and were able to sustain fare increases, the average domestic yield increased to 15.9 cents per passenger-mile. In 2009, yields again decreased, but, beginning in 2010, as airline travel demand increased and seat capacity was restricted, yields increased to 17.7 cents per passenger-mile by 2015. Beginning in 2006, ancillary charges have been introduced by most airlines for services such as checked baggage, preferred seating, in-flight meals, and entertainment, thereby increasing the effective price of airline travel more than these yield figures indicate.

3.3.6 Aviation Safety and Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips.

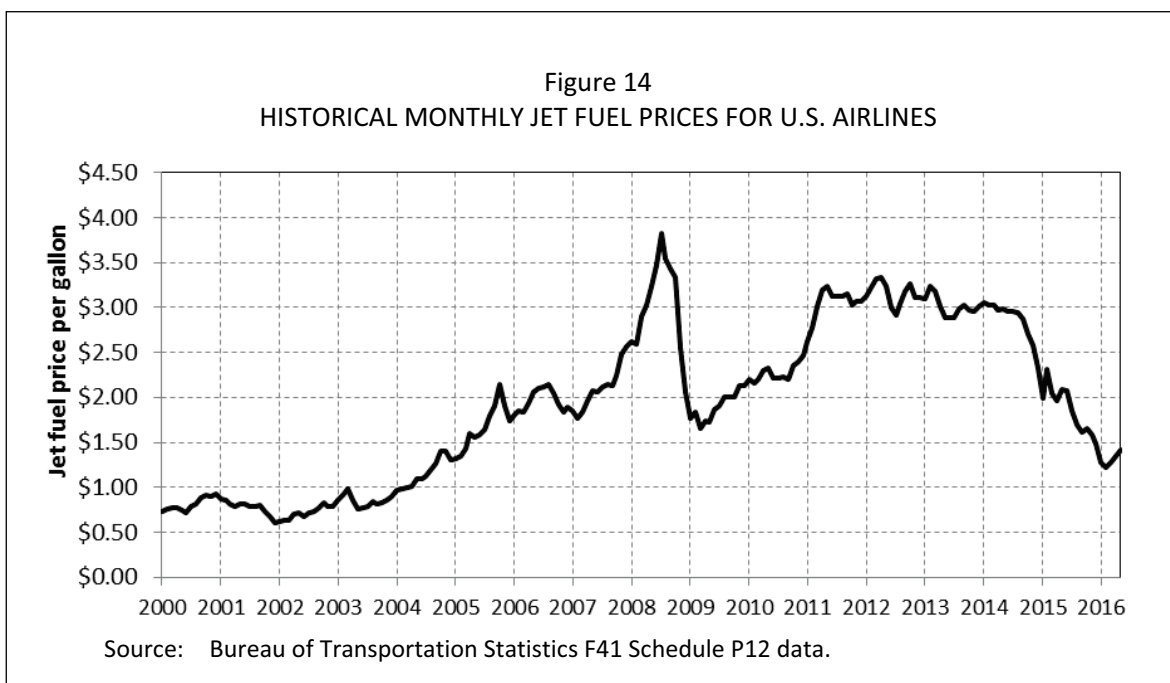
Safety concerns in the aftermath of the September 11, 2001 terrorist attacks were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the Transportation Security Administration (TSA), more effective dissemination of information about threats, more intensive

screening of passengers and baggage, and deployment of new screening technologies. The TSA has introduced “pre-check” service to expedite the screening of passengers who have submitted to background checks. Concerns about the safety of air travel have recently been heightened by a suicide attack at Brussels Airport in March 2016, the crash of an EgyptAir flight into the Mediterranean Sea in May 2016, and a gun and bomb attack at Istanbul Ataturk Airport in June 2016.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, and other safety concerns. Provided that precautions by government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, it can be expected that future demand for airline travel at the Airport will depend primarily on economic, not safety or security, factors.

3.3.7 Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Fuel prices are particularly sensitive to worldwide political instability and economic uncertainty. Figure 14 shows the historical fluctuation in aviation fuel prices since 2000. Beginning in 2003, aviation fuel prices increased as a result of the invasion and occupation of Iraq; political unrest in other oil-producing countries; the growing economies of China, India, and other developing countries; and other factors influencing the demand for and supply of oil. By mid-2008, average fuel prices were three times higher than they were in mid-2004 and represented the largest airline operating expense, accounting for between 30% and 40% of expenses for most airlines. Fuel prices decreased sharply in the second half of 2008 as demand for oil declined worldwide, but then increased as demand increased.



Between early 2011 and mid-2014, aviation fuel prices were relatively stable, partly as a result of increased oil supply from U.S. domestic production. As of mid-2014, average fuel prices were approximately three times those prevailing at the end of 2003. Beginning in mid-2014, an imbalance between worldwide supply and demand resulted in a precipitous decline in the price of oil and aviation fuel. Decreased demand from China and other developing countries, combined with a continued surplus in the worldwide supply (and the potential for further surpluses from Iran as trade sanctions are lifted) resulted in further reductions in fuel prices in 2015. As shown on Figure 14, the average price of aviation fuel at the end of 2015 was approximately 50% of the price at mid-2014. The reduction in fuel prices is having a positive effect on airline profitability as well as far-reaching implications for the global economy.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term, although, absent unforeseen disruptions, prices are expected to remain relatively low for some time. However, there is widespread agreement that fuel prices are likely to increase over the long term as global energy demand increases in the face of finite oil supplies that are becoming more expensive to extract.

Aviation fuel prices will continue to affect airfares, passenger numbers, airline profitability, and the ability of airlines to provide service. Airline operating economics will also be affected as regulatory costs are imposed on the airline industry as part of efforts to reduce aircraft emissions contributing to global climate change.

3.3.8 Capacity of the National Air Traffic Control System

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transportation System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. Since 2007, airline traffic delays have decreased as a result of reduced numbers of aircraft operations (down approximately 20% between 2007 and 2014), but, as airline travel increases in the future, flight delays and restrictions can be expected.

3.3.9 Capacity of the Airport

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and airport systems, future growth in airline traffic at MSP will depend on the capacity of the Airport itself. The airline traffic forecast that follows is conditioned on the assumption that, during the forecast period, neither available airfield or terminal capacity, nor demand management initiatives by regulatory agencies or the Commission itself, will constrain traffic growth at the Airport.

3.4 AIRLINE TRAFFIC FORECAST

The forecast of airline traffic at the Airport through 2022 was developed on the basis of the economic outlook for the MSA, trends in historical airline traffic, and key factors likely to affect future traffic, all as discussed earlier in this report. The forecast for the Airport included in the FAA's *Terminal Area Forecast (TAF)*, issued in January 2016, was also reviewed.

In developing the forecast in this report, it was assumed that, over the long term, airline traffic at the Airport will increase as a function of growth in the economy of the MSA and continued airline service. It was assumed that airline service at the Airport will not be constrained by the availability of aviation fuel, the capacity of the air traffic control system or the Airport, charges for the use of aviation facilities, or government policies or actions that restrict growth.

The traffic forecast for the Airport was developed on the basis of the assumptions that:

1. The U.S. economy will experience sustained growth in GDP averaging between 2.0% and 2.5% per year, an average rate of GDP growth generally consistent with that projected by the Congressional Budget Office, as described in the earlier section "Economic Outlook."
2. The economy of the MSA will grow at approximately the same rate as the U.S. economy as a whole.
3. Airlines will continue to adjust service to meet travel demand at the Airport and competition among airlines will ensure competitive airfares for flights from the Airport.
4. Delta will continue to operate a connecting hub at the Airport, at roughly the same level of importance within its route network as is currently the case.
5. There will be no material shift in the composition of originating vs. connecting passengers at the Airport during the forecast period.
6. Passenger load factors on flights at the Airport will initially decline and then increase only slightly over the forecast period.
7. A generally stable and secure international political environment and safety and security precautions will ensure airline traveler confidence in aviation without imposing unreasonable inconveniences.
8. There will be no major disruption of airline service or changes to airline travel patterns as a result of international hostilities, terrorist acts or threats, or other security or public health concerns.

3.4.1 Enplaned Passenger Forecast

Year-to-date and advance schedule filings by the airlines, which are subject to change, indicate a 4.5% increase in the number of departing seats at the Airport between 2015 and 2016 (compared with an estimated nationwide increase of 4.3%). On the basis of year-to-date passenger traffic reports and advance airline schedules, the number of enplaned passengers at the Airport in 2016 is forecast to be 18.25 million, up 2.9% from the number enplaned in 2015.

Between 2016 and 2022, the number of enplaned passengers at the Airport is forecast to increase an average of 1.4% per year, lower than the average rate for the airport forecast by the FAA in the TAF (2.0% per year). A higher rate of growth is not unusual in passenger forecasts related to facility planning, such as the TAF, compared with forecasts such as the one presented herein, which was developed for financial planning purposes.

The number of enplaned passengers at the Airport is forecast to be 19.8 million in 2022, an increase of 11.6% over the 2015 number. Connecting passengers are forecast to account for the same share of enplaned passengers in 2022 (46%) that they did in 2015. Table 20 presents historical and forecast enplaned passengers at the Airport by originating and connecting components, and provides domestic and international subtotals. Figure 15 displays the passenger forecast graphically.

Table 20
ENPLANED PASSENGER FORECAST
Minneapolis-St. Paul International Airport
(calendar years, passengers in thousands)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.

	Actual						Forecast						
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Enplanements	15,715	15,972	16,020	16,370	17,008	17,734	18,250	18,550	18,800	19,050	19,300	19,550	19,800
Annual % increase		1.6%	0.3%	2.2%	3.9%	4.3%	2.9%	1.6%	1.3%	1.3%	1.3%	1.3%	1.3%
Domestic													
Originating (a)	7,833	7,931	7,942	8,145	8,481	8,908	9,164	9,294	9,400	9,506	9,613	9,719	9,825
Connecting (b)	<u>6,740</u>	<u>6,938</u>	<u>6,994</u>	<u>7,094</u>	<u>7,349</u>	<u>7,525</u>	<u>7,686</u>	<u>7,806</u>	<u>7,920</u>	<u>8,034</u>	<u>8,147</u>	<u>8,261</u>	<u>8,375</u>
Total domestic	14,574	14,869	14,936	15,238	15,830	16,433	16,850	17,100	17,320	17,540	17,760	17,980	18,200
Annual % increase		2.0%	0.4%	2.0%	3.9%	3.8%	2.5%	1.5%	1.3%	1.3%	1.3%	1.2%	1.2%
International													
Originating	514	488	499	535	587	671	748	778	793	808	823	838	853
Connecting (c)	<u>627</u>	<u>615</u>	<u>585</u>	<u>596</u>	<u>590</u>	<u>630</u>	<u>652</u>	<u>672</u>	<u>687</u>	<u>702</u>	<u>717</u>	<u>732</u>	<u>747</u>
Total international	1,141	1,103	1,084	1,132	1,178	1,302	1,400	1,450	1,480	1,510	1,540	1,570	1,600
Annual % increase/decrease		(3.4%)	(1.7%)	4.4%	4.1%	10.5%	7.6%	3.6%	2.1%	2.0%	2.0%	1.9%	1.9%
Percent Connecting:													
Domestic	46.2%	46.7%	46.8%	46.6%	46.4%	45.8%	45.6%	45.6%	45.7%	45.8%	45.9%	45.9%	46.0%
International	54.9	55.7	54.0	52.7	50.1	48.4	46.6	46.3	46.4	46.5	46.6	46.6	46.7
Airport Total	46.9	47.3	47.3	47.0	46.7	46.0	45.7	45.7	45.8	45.9	45.9	46.0	46.1

Note: Actual originating and connecting numbers shown for MSP may not match numbers reported by the Commission.

(a) Includes scheduled revenue passengers originating international trips at MSP who exited the country via other U.S. airport gateways.

(b) Domestic-to-domestic and international-to-domestic connecting passengers.

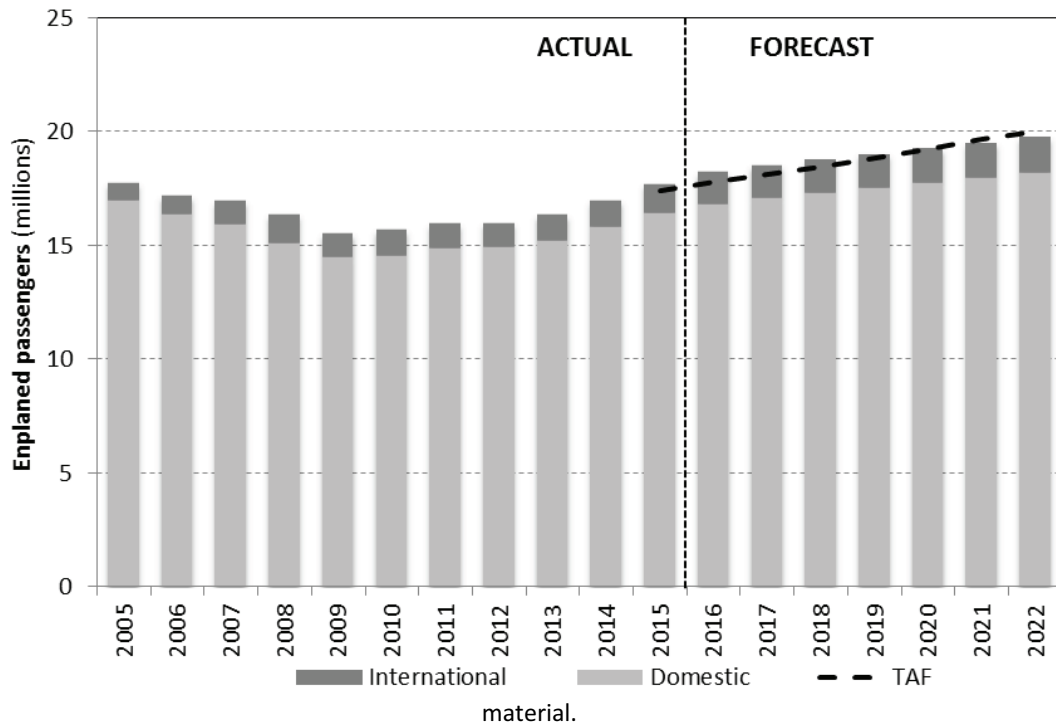
(c) Domestic-to-international connecting passengers.

Sources: Actual: Metropolitan Airports Commission; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T1.

Forecast: LeighFisher, June 2016.

Figure 15
ENPLANED PASSENGER FORECAST
 Minneapolis-St. Paul International Airport
 (calendar years)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be



Sources: Actual: Metropolitan Airports Commission;
 Forecasts: LeighFisher, June 2016; FAA, Terminal Area Forecast, January 2016.

3.4.2 Aircraft Landed Weight

Table 21 shows the forecast of aircraft landed weight at the Airport, which was derived from the passenger forecast using assumed future trends in average seat occupancy, aircraft seat capacity, and aircraft size, based upon analysis of historical data. In 2015, 21.7 billion pounds of aircraft landed weight was reported by the airlines operating at the Airport. Passenger airlines accounted for 95% (20.7 billion pounds) of the total; all-cargo airlines accounted for the remainder.

Between 2015 and 2022, average aircraft seating capacity and passenger load factors at the Airport were assumed to increase. As a result, passenger airline landed weight is forecast to increase an average of 1.5% per year. All-cargo airline landed weight is forecast to increase an average of 1.1% per year.

Table 21
HISTORICAL AND FORECAST AIRCRAFT LANDINGS AND LANDED WEIGHT
Minneapolis-St. Paul International Airport
 (calendar years)

This forecast was prepared on the basis of the information and assumptions given in the text. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.

Year	Aircraft landings			Landed weight (in millions of pounds)		
	Passenger airlines	All-cargo airlines	Total—all airlines	Passenger airlines	All-cargo airlines	Total—all airlines
2010	197,254	6,248	203,502	19,930	1,023	20,954
2011	197,841	6,106	203,947	19,765	982	20,746
2012	193,793	5,622	199,415	19,578	899	20,477
2013	198,327	5,874	204,201	20,225	940	21,165
2014	187,645	6,107	193,752	20,275	984	21,258
2015A	184,267	6,468	190,735	20,693	1,013	21,706
2016F	188,600	6,550	195,150	21,617	1,002	22,619
2017	190,700	6,650	197,350	21,904	1,018	22,922
2018	192,300	6,750	199,050	22,135	1,033	23,168
2019	193,800	6,850	200,650	22,355	1,048	23,403
2020	195,400	6,950	202,350	22,588	1,063	23,651
2021	196,900	7,050	203,950	22,809	1,079	23,888
2022	198,400	7,150	205,550	23,032	1,094	24,126

Compound annual growth rate

Actual:

2010-2015	(1.4%)	0.7%	(1.3%)	0.8%	(0.2%)	0.7%
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Forecast:

2015-2016	2.4%	1.3%	2.3%	4.5%	(1.1%)	4.2%
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2015-2022	1.1	1.4	1.1	1.5	1.1	1.5
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Notes: A=Actual; F=Forecast.

Includes signatory and non-signatory airlines.

Rows may not add to totals shown because of rounding

Sources: Actual: Metropolitan Airports Commission.

Forecast: LeighFisher, June 2016.

4. FINANCIAL ANALYSIS

To provide the basis for the financial analysis, the legal framework of laws, agreements, indentures, contracts, and other such documents within which the Commission functions is presented. First, the financial and administrative structure of the MAC is summarized followed by discussions of senior and subordinate general airport revenue bonds, General Obligation Revenue Bonds, rate covenants, and additional bonds. Then, special facility obligations, the order of priority of application of revenue, airline agreements, the Capital Improvement Program (CIP), and the costs and funding sources of planned CIP projects are discussed. Finally, the proposed Series 2016C/D/E Bonds, anticipated Future Improvement Bonds, debt service requirements, M&O Expenses, Airport System Revenues, the application of Airport System Revenues, rate covenants and debt service coverage, and a stress test scenario are presented.

4.1 METROPOLITAN AIRPORTS COMMISSION

The Commission is governed by a 15-member board, one member of which is appointed by the Governor of the State of Minnesota to act as chair of the Commission and who may be removed from office at any time by the Governor. The mayors of Minneapolis and St. Paul (or their designees) are also members, and serve terms coincident with their mayoral terms of office. The Governor appoints the other 12 members of the Commission board for four-year terms, with eight members being residents of designated districts within the Minneapolis-St. Paul metropolitan area and four members being residents from outside the metropolitan area (but within the State).

The Commission is required to have large capital improvement projects reviewed by the Metropolitan Council, which is a public planning agency that has powers of regulation over development in the metropolitan area. (In this context, “large capital improvement projects” mean projects at MSP costing in excess of \$5 million, and projects at the reliever airports costing in excess of \$2 million.) The Commission is also required to have any project “which has a significant effect on the orderly and economic development of the metropolitan area” approved by the Metropolitan Council prior to commencement of such project.

The administration, operation, development, maintenance, and provision of public safety (including police and fire), of the Airport System is the responsibility of the Executive Director/Chief Executive Officer (CEO) working through Commission staff, which consisted of approximately 580 full-time equivalent employees as of June 2016. Four divisions report to the Executive Director/Chief Executive Officer: Executive; Finance and Administration; Planning, Development, and Environment; and Management and Operations.

4.2 GENERAL AIRPORT REVENUE BONDS AND GENERAL OBLIGATION REVENUE BONDS

The enabling legislation of the Commission (which was enacted by the Minnesota state legislature) authorizes the Commission to issue general airport revenue bonds and general obligation revenue bonds for use on its airport facilities. The Commission has the power to levy taxes upon all taxable property in the seven-county metropolitan area for the payment of debt service on general obligation revenue bonds, but has not done so since 1969. Since 1970, debt service payments on all General Obligation Revenue Bonds issued for airport purposes have been made from Commission revenues. The Commission does not have the power to levy taxes for the payment of debt service on general airport revenue bonds.

Issuance of general airport revenue bonds by the Commission are undertaken pursuant to two indentures: the Master Trust Indenture, dated as of June 1, 1998, as amended and supplemented (Master Senior Indenture) and the Master Subordinate Trust Indenture, dated as of October 1, 2000, as amended and supplemented (Master Subordinate Indenture).

4.2.1 Senior Airport Revenue Bonds

Legislation was adopted in 1996 authorizing the Commission to issue general airport revenue bonds, payable from Net Revenues, on parity with General Obligation Revenue Bonds. Such parity general airport revenue bonds are issued pursuant to the Master Senior Indenture, which collectively with any additional revenue debt issued under the Master Senior Indenture are Senior Airport Revenue Bonds. As of November 1, 2016, the amount of Senior Airport Revenue Bond principal outstanding was \$534.0 million with the final maturity occurring in 2035; this includes the recently issued Senior Series 2016A Bonds. The Senior Series 2016C Bonds are to be issued as Senior Airport Revenue Bonds.

4.2.2 Subordinate Airport Revenue Obligations

The Master Senior Indenture permits the Commission to issue subordinate general airport revenue bonds and obligations secured by Net Pledged Revenues. Net Pledged Revenues, also referred to as Subordinate Revenues, consist of Net Revenues less debt service and reserve replenishment requirements with respect to Senior Airport Revenue Bonds and General Obligation Revenue Bonds.

In 2000, the Commission executed the Master Subordinate Indenture for the issuance of subordinate debt. As of November 1, 2016, \$563.3 million of Subordinate Airport Revenue Bonds issued under the Master Subordinate Indenture (not including amounts available under the \$75 million revolving line of credit) were outstanding, with the final maturity occurring in 2035; this includes the recently issued Subordinate Series 2016B Bonds. The Subordinate Series 2016D Bonds and the Subordinate Series 2016E Bonds are to be issued as Subordinate Airport Revenue Bonds.

Additionally, pursuant to the Master Subordinate Indenture, the Commission obtained a \$75 million revolving line of credit. The purpose of this line of credit is to fund certain capital projects on a short-term basis. The Commission has accessed the line of credit from time to time primarily to fund certain projects associated with the G Concourse, the Building F demolition, Runway 30R, and the Terminal 2–Humphrey Gate Expansion. As of November 1, 2016, the Commission had \$40.6 million outstanding under the line of credit.

The term Subordinate Airport Revenue Obligations includes the Subordinate Airport Revenue Bonds, the \$75 million revolving line of credit, and other such parity debt issued under the Master Subordinate Indenture.

4.2.3 General Obligation Revenue Bonds

The Commission is permitted to issue General Obligation Revenue Bonds for airport purposes pursuant to Section 473.667 of the Minnesota Statutes. There are no General Obligation Revenue Bonds outstanding at this time, as the Commission retired all of its outstanding General Obligation Revenue Bonds as of January 1, 2015. The Commission does not currently intend to issue additional General Obligation Revenue Bonds.

The Commission is authorized to issue up to \$55 million of General Obligation Revenue Bonds without additional statutory authorization from the Minnesota state legislature. Pursuant to the terms of the Master Senior Indenture, the Commission is not required to comply with the Additional Bonds test under Section 2.11 of the Master Senior Indenture (see Section 4.4, “Additional Bonds”) in order to issue the remaining \$55 million authorized amount of General Obligation Revenue Bonds. The Commission would however be required to comply with Section 2.11 of the Master Senior Indenture to issue General Obligation Revenue Bonds under any additional authorization received in the future.

The terms of the Master Senior Indenture (see Section 4.6, “Order of Priority of Application of Revenue”) provide General Obligation Revenue Bonds with the first priority of payment, on parity with Senior Airport Revenue Bonds, from Net Revenues.

4.2.4 Indenture Definitions

Certain key terms are defined in the Master Senior Indenture and the Master Subordinate Indenture, as follows:

Revenues generally mean, for any given period, all income, receipts, earnings, and revenues received by the Commission from the operation of the Airport System (including Rental Car Customer Facility Charge (CFC) revenues) as determined in accordance with generally accepted accounting principles and any additional amounts designated in a supplemental indenture. Revenues include investment earnings (except earnings pledged by the terms of a supplemental indenture to fund a Construction Fund) on amounts held in the Operating Fund, any Construction Fund, any Debt Service Fund (except capitalized interest on deposit therein), any Debt Service Reserve Fund, and the Commission Construction Fund. Unless otherwise provided for, Revenues exclude the following, including any investment earnings thereon, (1) grants, (2) Passenger Facility Charges (PFCs), and (3) capitalized interest.

Also included in Revenues are amounts received by the Commission for the payment of a portion of the rental amount associated with “self-liquidating” agreements; these amounts are not classified by the Commission as operating revenue on its financial statements per generally accepted accounting principles, but are included in the definition of Revenues for purposes of the Master Senior Indenture and Master Subordinate Indenture.

The Commission entered into self-liquidating agreements with certain of the tenants at the Airport, in which the Commission agreed to finance the construction of certain facilities and the tenant agreed to pay rents equal to the associated principal and interest on debt used to finance such facility. This self-liquidating debt (of which approximately \$43.5 million was outstanding as of December 31, 2015) and the associated facilities do not constitute Special Facility Obligations or Special Facilities, respectively, as these obligations or special facilities are defined in the Master Senior Indenture; thus, the associated principal and interest are included as a part of Annual Debt Service and the payments by the tenants are included in Revenues. For certain of these facilities, the Commission utilized its funds to finance construction instead of debt. Tenant payments for these leases are treated identically to those financed through debt. As with the debt-financed leases, the Commission will continue to receive payments (which include interest) until such time that the construction costs are fully amortized.

Maintenance and Operation Expenses (M&O Expenses) of the Airport System are defined as:

for any given period, the total operation and maintenance expenses of the Airport System as determined in accordance with generally accepted accounting principles as in effect from time to time, excluding depreciation expense and any operation and maintenance expenses of the Airport System payable from moneys other than Revenues.

Net Revenues means Revenues less M&O Expenses of the Airport System.

Annual Debt Service means, when applied to General Obligation Revenue Bonds, the amount required to be deposited into the Commission Debt Service Fund by October 10th of such year necessary to bring the balance to the level required for such debt under Minnesota Statutes 473.667 Subd. 4. This deposit usually means the amount required to maintain a balance equal to principal and interest to be paid on such debt during the first and second following Fiscal Years.

For Senior Airport Revenue Bonds, Annual Debt Service means the amounts required to be set aside in the debt service fund during such Fiscal Year to fund the next interest and principal payments (i.e., the amounts required for funding the July 1 payment of such year and the January 1 payment of the following year). Specific calculation procedures are required for determining prospective Annual Debt Service on certain types of Senior Airport Revenue Bonds (e.g., Program Bonds).

For Subordinate Airport Revenue Obligations, Annual Debt Service means the amounts due and payable to bondholders during such Fiscal Year (i.e., the debt service payments due on January 1 and July 1 of the Fiscal Year). Specific calculation procedures are required for determining prospective Annual Debt Service on certain types of Subordinate Airport Revenue Obligations (e.g., Program Bonds).

Debt service paid from PFC receipts is subtracted from gross debt service when determining Annual Debt Service for the Senior Airport Revenue Bonds and the Subordinate Airport Revenue Obligations. Over the years, the Commission has submitted and received approval to impose a PFC and use PFC receipts to pay, among other items, debt service on debt issued to fund project costs approved in the applications. The Commission, as needed, will amend existing applications or file new applications to adjust the authorized amount of PFC receipts that are used to pay debt service in the future. By resolution, the Commission has irrevocably committed certain of its PFC receipts to pay or fund a portion of the Annual Debt Service each year through FY 2030. The Commission has paid and intends to continue to pay debt service from PFC receipts as authorized by approved PFC applications, which are greater than the amounts irrevocably committed each year by the Commission. (See Section 4.11, "Debt Service Requirements.")

Transfer is defined as:

- (a) the amount deposited on the last Business Day of the Fiscal Year from the Coverage Account into the Operating Fund plus (b) any amounts withdrawn from the Coverage Account during such Fiscal Year for the purposes specified in Section 4.07 (a) or (b) [of the Master Senior Indenture] less (c) any amounts deposited in the Coverage Account from Revenues during such Fiscal Year.

The purposes for which amounts may be withdrawn from the Coverage Account, as set forth in Section 4.07 of the Master Senior Indenture, are to (a) pay Maintenance and Operation Expenses of the Airport System, (b) make any required payments or deposits to pay or secure the payment of the principal or purchase price of or interest or redemption premium on the Outstanding Bonds, and (c) pay the cost of any additions, improvements, repairs, renewals, or replacements to the Airport System, in each case only if and to the extent that moneys otherwise available to make such payments or deposits are insufficient for such purpose.

4.3 RATE COVENANTS

Rate covenants for Senior and Subordinate Airport Revenue Obligations are summarized below.

4.3.1 Senior Airport Revenue Bonds

The Commission has covenanted in Section 5.04 of the Master Senior Indenture that so long as any of the Senior Airport Revenue Bonds and General Obligation Revenue Bonds are outstanding, the Commission will establish, fix, prescribe, and collect rates, tolls, fees, rentals, and charges in connection with the Airport System, so that Net Revenues in each Fiscal Year are sufficient to fund the deposits required in Section 5.04(a) of the Master Senior Indenture and so that during each Fiscal Year the Net Revenues, together with any Transfer, will be at least equal to 125% of Aggregate Annual Debt Service on the outstanding Senior Airport Revenue Bonds. For purposes of this calculation, the amount of any Transfer shall not exceed 25% of Aggregate Annual Debt Service on the outstanding Senior Airport Revenue Bonds in such Fiscal Year.

4.3.2 Subordinate Airport Revenue Obligations

The Commission has covenanted in Section 5.04 of the Master Subordinate Indenture that so long as any of the Subordinate Airport Revenue Obligations remain outstanding, the Commission will establish, fix, prescribe and collect rates, tolls, fees, rentals and charges in connection with the Airport System and for services rendered in connection therewith, so that Subordinate Revenues* in each Fiscal Year are sufficient to fund the deposits required in Section 5.04(a) of the Master Subordinate Indenture and so that during each Fiscal Year the Subordinate Revenues, together with any Transfer, will be equal to at least 110% of Aggregate Annual Debt Service on the outstanding Subordinate Airport Revenue Obligations. For purposes of this calculation, the amount of any Transfer taken into account shall not exceed 10% of Aggregate Annual Debt Service on the outstanding Subordinate Airport Revenue Obligations in such Fiscal Year.

4.4 ADDITIONAL BONDS

The tests required to be met in order to issue additional Senior Airport Revenue Bonds and Subordinate Airport Revenue Obligations are described below.

*Subordinate Revenues (which are termed Net Pledged Revenues in the Master Subordinate Indenture) are the Net Revenues remaining after satisfaction of debt service and debt service reserve requirements for the General Obligation Revenue Bonds and the Senior Airport Revenue Bonds and repayment of any property taxes levied to meet debt service payments on the Commission's General Obligation Revenue Bonds should such an event occur.

4.4.1 Senior Airport Revenue Bonds

Prior to issuance of additional senior debt on a parity with the Senior Airport Revenue Bonds and General Obligation Revenue Bonds (which includes any General Obligation Revenue Bonds that are in excess of the \$55 million currently authorized but unissued), the Commission is required in Section 2.11 of the Master Senior Indenture to deliver to the Trustee either:

- (a) a certificate prepared by an Authorized Commission Representative showing the Net Revenues for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Senior Airport Revenue Bonds or preceding the first issuance of the proposed Senior Program Airport Revenue Bonds were at least equal to 110% of Senior Maximum Aggregate Annual Debt Service with respect to all Outstanding Senior Airport Revenue Bonds, Unissued Senior Program Airport Revenue Bonds, the proposed Series of Senior Airport Revenue Bonds, and outstanding General Obligation Revenue Bonds, calculated as if the proposed Series of Senior Airport Revenue Bonds and the full Senior Authorized Amount of such proposed Senior Program Airport Revenue Bonds (as applicable) were then Outstanding; or
- (b) a certificate prepared by an Authorized Commission Representative showing that the Net Revenues (as may be adjusted as described below) for the last completed Fiscal Year or 12-month period immediately preceding the date of issuance of the proposed Series of Senior Airport Revenue Bonds or preceding the first issuance of the proposed Senior Program Airport Revenue Bonds were at least equal to 125% of Senior Maximum Aggregate Annual Debt Service with respect to all Outstanding Senior Airport Revenue Bonds, Unissued Senior Program Airport Revenue Bonds, the proposed Series of Senior Airport Revenue Bonds, and outstanding General Obligation Revenue Bonds, calculated as if the proposed Series of Senior Airport Revenue Bonds and the full Authorized Amount of such proposed Senior Program Airport Revenue Bonds (as applicable) were then Outstanding.

For purposes of subparagraphs (a) and (b) above, no Transfer shall be taken into account in the computation of Revenues by the Authorized Commission Representative.

For purposes of subparagraph (b) above, the Commission shall be allowed to adjust Net Revenues for earnings arising from any increase in the rates, charges and fees for the use of the Airport System that has become effective prior to the issuance of such proposed Series of Senior Airport Revenue Bonds but that, during the last completed Fiscal Year or 12-month period, was not in effect for the entire period under consideration, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in rates, charges and fees had been in effect during the whole of the last completed Fiscal Year or 12-month period, as shown by the certificate or opinion of a Consultant employed by the Commission.

Refunding Senior Airport Revenue Bonds may be issued by the Commission pursuant to Sections 2.10 and 2.11 of the Master Senior Indenture if there is a certificate delivered to the trustee "showing that [Senior] Maximum Aggregate Annual Debt Service after the issuance of such Refunding [Senior Airport Revenue] Bonds will not exceed [Senior] Maximum Aggregate Annual Debt Service prior to the issuance of such Refunding [Senior Airport Revenue] Bonds."

4.4.2 Subordinate Airport Revenue Obligations

Additional Subordinate Airport Revenue Obligations may be issued under the Master Subordinate Indenture on parity with outstanding Subordinate Airport Revenue Obligations provided, among other things, that there is delivered to the Subordinate Trustee either:

- (a) a certificate prepared by an Authorized Commission Representative showing the Subordinate Revenues for any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Subordinate Airport Revenue Obligations were at least equal to 110% of Subordinate Maximum Aggregate Annual Debt Service with respect to all outstanding Subordinate Airport Revenue Obligations, Unissued Subordinate Program Airport Revenue Obligations, and the proposed Series of Subordinate Airport Revenue Obligations, calculated as if the proposed Series of Subordinate Airport Revenue Obligations and the full Authorized Amount of such proposed Subordinate Program Airport Revenue Obligations, were then outstanding; or
- (b) a certificate, dated as of a date between the date of pricing of the Subordinate Airport Revenue Obligations being issued and the date of delivery of such Subordinate Airport Revenue Obligations (both dates inclusive), prepared by a Consultant showing that:
 - (i) the Subordinate Revenues, together with any Transfer, (as calculated by said Consultant) for the last audited Fiscal Year or any 12 consecutive months out of the most recent 18 consecutive months immediately preceding the date of issuance of the proposed Series of Subordinate Airport Revenue Obligations or the establishment of Subordinate Program Airport Revenue Obligations were at least equal to 110% of the Subordinate Aggregate Annual Debt Service due and payable with respect to all outstanding Subordinate Airport Revenue Obligations for such applicable period;
 - (ii) for the period, if any, from and including the first full Fiscal Year following the issuance of the proposed Subordinate Airport Revenue Obligations through and including the last Fiscal Year during any part of which interest on the proposed Subordinate Airport Revenue Obligations is expected to be paid from the proceeds thereof, the Consultant estimates that the Commission will be in compliance with the rate covenant for Subordinate Airport Revenue Obligations; and
 - (iii) for the period from and including the first full Fiscal Year following the issuance of the proposed Subordinate Airport Revenue Obligations during which no interest on the proposed Subordinate Airport Revenue Obligations is expected to be paid from the proceeds thereof through and including the later of: (A) the fifth full Fiscal Year following the issuance of the proposed Subordinate Airport Revenue Obligations, or (B) the third full Fiscal Year during which no interest on the proposed Subordinate Airport Revenue Obligations is expected to be paid from the proceeds thereof, estimated Subordinate Revenues, together with any estimated Transfer, for each such Fiscal Year will be at least equal to 110% of Subordinate Aggregate Annual Debt Service for each such Fiscal Year with respect to all outstanding Subordinate Airport Revenue Obligations, Unissued Subordinate Program Airport Revenue Obligations, and the Series of Subordinate Airport Revenue Obligations proposed to be issued calculated as if the proposed Series of Subordinate Airport Revenue Obligations and

the full Authorized Amount of such proposed Subordinate Program Airport Revenue Obligations, were then outstanding.

For purposes of subparagraph (a) above, no Transfer will be taken into account in the computation by the Authorized Commission Representative. For purposes of subparagraph (b) above, the Transfer taken into account may not exceed 10% of Subordinate Aggregate Annual Debt Service in such Fiscal Year for the outstanding Subordinate Airport Revenue Obligations, Unissued Subordinate Program Airport Revenue Obligations, the proposed Series of Subordinate Airport Revenue Obligations, and, if applicable, the full Authorized Amount of such proposed Subordinate Program Airport Revenue Obligations.

For purposes of subsections (b) (ii) and (iii) above, in estimating Subordinate Revenues, the Consultant may take into account any adjustments to Revenues or M&O Expenses that the Consultant believes to be a reasonable assumption for such period.

In certain situations, neither of the certificates described above under subparagraphs (a) or (b) are required for the issuance of additional Subordinate Airport Revenue Obligations. For instance, if Subordinate Airport Revenue Obligations are being issued for the purpose of refunding then outstanding Subordinate Airport Revenue Obligations and, instead, there is a certificate of an Authorized Commission Representative delivered to the Subordinate Trustee that shows that the Subordinate Aggregate Annual Debt Service in each Fiscal Year after such refunding will not exceed Subordinate Aggregate Annual Debt Service in each Fiscal Year prior to the refunding, then neither of the certificates described above under subparagraphs (a) or (b) are required.

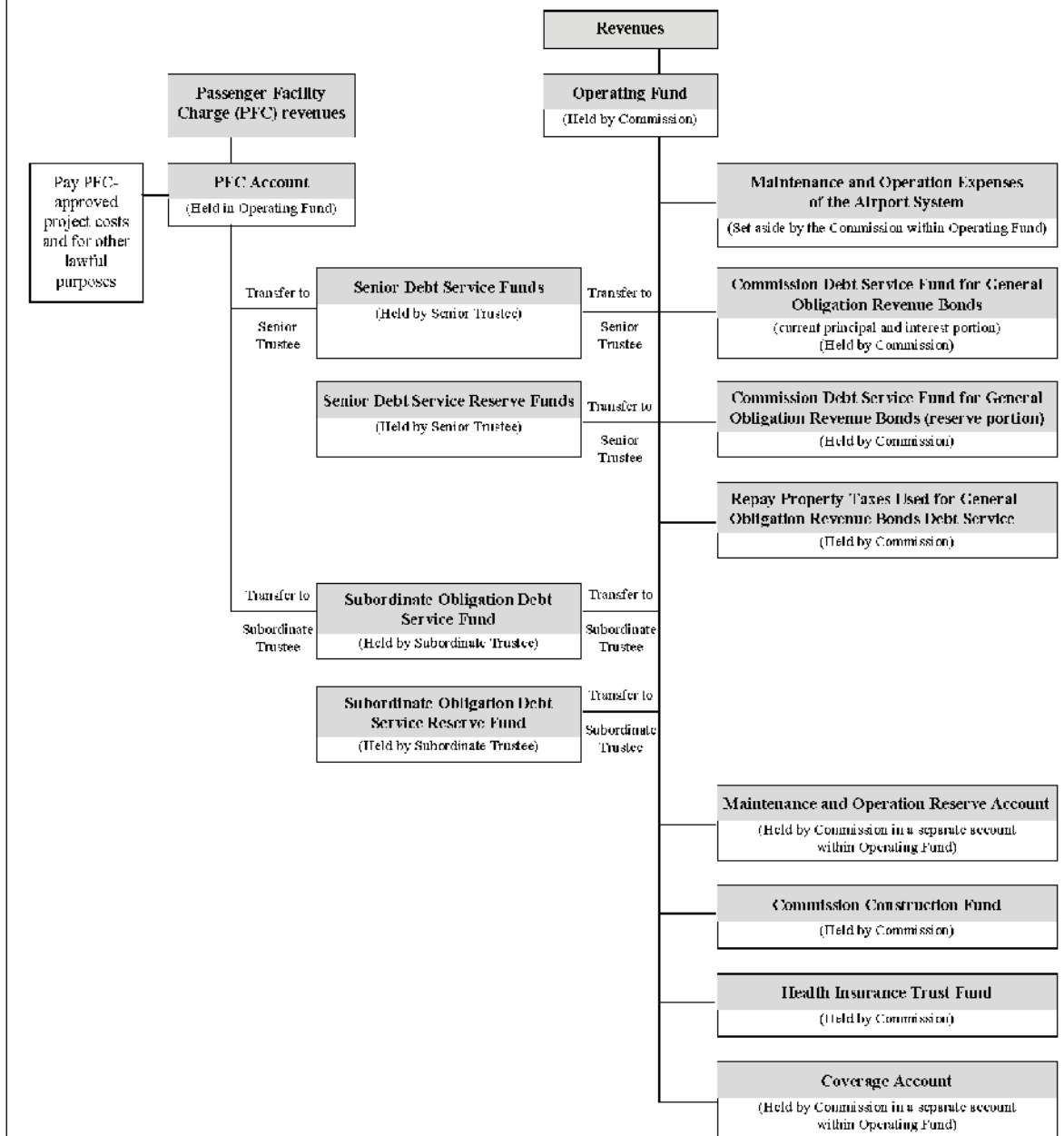
4.5 SPECIAL FACILITY OBLIGATIONS

The Commission, pursuant to Section 5.07 of the Master Senior Indenture, is permitted to issue debt to fund Special Facilities, as such are defined in the Master Senior Indenture. Debt service on Special Facility Obligations is payable from and secured solely by the associated Special Facilities Revenues and not from or by Net Revenues. The Commission had no Special Facility Obligations outstanding as of November 1, 2016. Self-liquidating debt and the associated facilities do not constitute Special Facility Obligations or Special Facilities, respectively.

4.6 ORDER OF PRIORITY OF APPLICATION OF REVENUE

The Commission covenants in Section 4.02 of the Master Senior Indenture as long as there are Senior Airport Revenue Bonds or General Obligation Revenue Bonds outstanding that all Revenues will be deposited into the Operating Fund and set aside for payment of required amounts or transferred to funds and accounts in the order of priority as required in Section 4.02, which is presented on Figure 16.

Figure 16
APPLICATION OF REVENUES
 Under the Master Senior Indenture
 Metropolitan Airports Commission



Source: Metropolitan Airports Commission

4.7 AIRLINE AGREEMENTS

The Commission has entered into separate but substantially similar agreements, known as the Airline Operating Agreement and Terminal Building Lease, with 28 airlines (both passenger and cargo) currently operating at the Airport (collectively, the Airline Agreements). In addition to these 28 airlines (Signatory Airlines), six airlines are currently operating at the Airport without Airline Agreements, as non-signatory airlines. Four additional airlines have signed Airline Agreements, but are not currently operating at the Airport.

The current Airline Agreements were negotiated and executed to support the Commission's expansion of the Airport known as the 2010 Long Term Comprehensive Plan (2010 Plan). The Airline Agreements had an effective date of January 1, 1999. The Airline Agreements have been amended and the term extended over the years, including significant changes in 2007 as completion of the 2010 Plan was approaching. At that time, the Commission extended the term of Northwest Airlines' Airline Agreement to December 31, 2020, which was assumed by Delta Air Lines subsequent to the merger of the airlines.

The 2015 Amendment of the Airline Agreements synchronized the airlines on all provisions with the exception of term. Twenty of the airlines currently operating at the Airport with Airline Agreements extended the term of their agreements through December 31, 2018, while five extended their lease agreements through December 31, 2020 to match the term of Delta's Airline Agreement (for a total of six airlines with Airline Agreements expiring on that date). In addition, two airlines are operating under leases which extend through 2018 but may be cancelled within 30 days' notice so long as all service by these airlines is to destinations in the Essential Air Service (EAS) program. Airlines that operate at the Airport but are not covered by an Airline Agreement are charged non-signatory landing fees and terminal rentals as established by ordinances adopted by the Commission.

The Airline Agreements provide for, among other things, the use by the airlines of the airfield and apron areas of the Airport and the lease of certain space in the Airport's main terminal – Terminal 1-Lindbergh. The Airline Agreements also establish procedures for the annual calculation of rents, fees, and charges for the use of facilities and areas covered by the Airline Agreements. These rents, fees, and charges are calculated based on a commercial compensatory rate-setting methodology for Terminal 1-Lindbergh and a cost-center residual rate-setting methodology for the airfield.

The use and occupancy of Terminal 2-Humphrey, which primarily serves low-cost carriers (LCCs) and charter operators, differs from Terminal 1-Lindbergh in that the rental rates of Terminal 2-Humphrey are not set by agreement. Instead, the Commission operates Terminal 2-Humphrey on a common-use basis and establishes the rents, fees, and charges for its use by ordinance, on a cost recovery basis. Most airlines operating from Terminal 2-Humphrey are Signatory Airlines and subject to the terms of the Airline Agreement, however provisions regarding terminal rentals and leased areas do not apply and are set pursuant to the ordinance.

The Airline Agreements contain, among others, provisions for:

- Dedication of a portion of PFCs to be collected between 2011 and 2030 to costs associated with projects in the 2010 Plan;
- Limitations on the noise mitigation costs that may be included in airline rates and charges;

- Recovery of asset costs included in the terminal building, airfield, and terminal apron cost centers;
- Rebating a portion of certain concession revenues to the passenger airlines;
- Lease of 11 gates to the airlines on a short-term basis (as opposed to the remaining gates in Terminal 1-Lindbergh, which are leased to the airlines through the term of their Airline Agreements);
- Availability on an as-needed basis of the use of one of the wide-body gates leased to Delta Air Lines; and
- Inclusion of required deposits per the Master Senior Indenture in the airline rate base, including replenishment of debt service reserve funds (if needed) for both the Senior Airport Revenue Bonds and the Subordinate Airport Revenue Obligations.

The Airline Agreements provide that no capital projects are subject to review and approval by a majority-in-interest (MII) of Signatory Airlines except for airfield projects costing in excess of \$1 million. For those projects subject to MII approval, the Commission cannot charge airlines for the cost of any such airfield projects that are disapproved.

4.8 CAPITAL IMPROVEMENT PROGRAM

The Commission's current CIP Projects cover the period 2016 through 2022 and include \$1.474 billion of costs to support the Parking Facilities Expansion (which includes the rental car facility), the Terminal 1-Lindbergh Expansion, Terminal 1-Lindbergh Rehabilitation and Repair projects, and various additional improvement and rehabilitation projects, including police and fire, reliever airports, and airfield and runway projects, among others. The anticipated funding sources for the CIP include the Series 2016 Improvement Bonds, the Future Improvement Bonds, federal and state grants, PFC pay-as-you-go funding, the direct line of credit, airline R&R Account, and internal Commission funds.

In addition to the CIP, the construction of an on-Airport hotel is being undertaken by a third-party developer. Costs associated with the construction of the hotel will be paid by the developer, while the Commission will incur costs related to roadway construction and the construction of a skyway, connecting the hotel to Concourse C.

4.9 COSTS AND FUNDING SOURCES OF PLANNED CAPITAL IMPROVEMENT PROJECTS

Exhibits A-1, A-2, and A-3 present the expected costs and funding sources for the CIP Projects. Sources expected to be used are described below.

4.9.1 Improvement Bonds

A significant portion of the Commission's CIP will be funded by proceeds of the Series 2016 Improvement Bonds and Future Improvement Bonds. The Series 2016C/E Bonds are anticipated to fund approximately \$385 million of the CIP, while the Senior Series 2019 Improvement Bonds and the Subordinate Series 2021 Improvement Bonds are anticipated to fund approximately \$166 million and \$121 million, respectively.

The proposed Subordinate Series 2016D Bonds will be utilized to repay portions of the Commission's line of credit. Such amounts were originally utilized to finance improvements to Terminal 2-Humphrey in 2015. Therefore, these bonds will not be financing a new capital project and do not appear as a funding source on Exhibits A-2 or A-3 and also are reflected separately from the remainder of the Series 2016 Improvement Bonds on Exhibit B.

The Commission anticipates the need to issue the Future Improvement Bonds to finance later portions of the CIP. If at that time the Commission believes Revenues will not be sufficient to support the issuance of such bonds, it may defer, delay, or reconsider implementation of associated capital projects.

The Subordinate Series 2021 Improvement Bonds are a funding source for the CIP but are not anticipated to be issued until FY 2021. The first debt service payment would not become due until FY 2024, after the expiration of the capitalized interest period, which is beyond the forecast period of this Report. Therefore the debt service payments and corresponding airline revenue increases associated with the Subordinate Series 2021 Improvement Bonds (which are anticipated to be approximately \$13.2 million per year) are not reflected in this Report.

4.9.2 Federal and State Grants

Under the Airport Improvement Program (AIP), the Commission is eligible to receive AIP grants from the FAA for the costs of eligible projects at the Airport. Certain of these grants are to be received as entitlement grants, the annual amount of which is calculated on the basis of the number of enplaned passengers. Other discretionary grants are awarded on the basis of the FAA's determination of the priorities for projects at Airport System and at other airports nationwide. Funding of the Airport and Airway Trust Fund (the primary source of AIP funding) is dependent on periodic reauthorization by Congress. For purposes of this Report, it was assumed that Congress will continue such reauthorizations so that no lapse in AIP funding authority will occur during the forecast period. The Commission also receives some State grants primarily for projects at the reliever airports.

Approximately \$68.8 million in federal and State grants are expected for funding of the CIP Projects.

4.9.3 PFC Revenues

A PFC is a charge imposed, following approval by the FAA, on enplaned passengers by airport sponsors to generate revenues for eligible airport projects that increase capacity, enhance competition among and between air carriers, enhance safety or security, or mitigate noise impacts. In return for the right to assess a PFC in the amount of \$1.00, \$2.00, or \$3.00, the sponsors of medium- and large-hub airports forego 50% of their AIP entitlement funds. The sponsors of medium- and large-hub airports (such as MSP) that collect a PFC of \$4.00 or \$4.50 forego 75% of their AIP entitlement funds.

Since 1992, the Commission has received approval from the FAA on 12 separate applications (nine of which were later amended by the Commission, with the approval of the FAA), to collect and use approximately \$1,583.1 million in PFC receipts. As of October 31, 2016, approximately \$1,379.5 million has been collected. The current collection authority extends to the earlier of May 1, 2019 or when the total authorized amount is collected (unless subsequently amended further). The PFC-use authority is for funding of approved project costs on a "pay-as-you-go" basis

and payment of debt service on Bonds issued to fund PFC-approved project costs. PFC receipts not expended on PFC-approved expenditures in a year are retained to fund PFC-approved debt service in future years.

The Commission is in the process of submitting amendments of existing approved applications to reflect final project costs of certain projects that have already received PFC approval from the FAA. The Commission is also in the process of preparing and submitting new PFC applications for projects that are either completed or are expected to be completed in the near future. Additional new PFC applications or amendments to approved applications are likely to occur over the forecast period. The forecast of PFC receipts and their use for the period 2016 through 2022 is shown in Exhibit D. It was assumed that the PFC level would remain at \$4.50 throughout the forecast period. The exhibit also shows actual collections for the period 2014 through 2015 with an imputed percentage of eligible enplaned passengers. The PFC collections are estimated to be adequate for all planned uses of PFC receipts identified in Exhibit D.

The Commission plans to submit additional PFC applications during the forecast period for projects identified in the CIP. Until and unless the FAA approves such applications, the Commission may not legally collect and use PFCs for such projects. The Commission has recently submitted its thirteenth application, and plans to submit Application #14 in early 2017, followed by Application #15 in the second quarter of 2017.

PFC receipts used on a “pay-as-you-go” basis for funding of the planned CIP Projects are estimated to be \$357.8 million. This amount is reflected in Exhibit D. In the event that PFC revenues are insufficient, the Commission will defer such projects, utilize an alternative funding source, or utilize portions of its line of credit to temporarily fund the projects until PFC revenues can be used to repay the line of credit.

4.9.4 Airline Repair and Replacement Account

In connection with amending the Airline Agreements in 2007, the Airline Repair and Replacement Account was established within the Commission Construction Fund. The account is funded each year with a defined amount (specifically, \$20.9 million in FY 2016, escalated 3% per year thereafter), and included in the airline rate base. Amounts in the Airline Repair and Replacement Account may be used to fund certain major maintenance and capital projects as defined in the Airline Agreements, including airfield, apron, and terminal projects. In accordance with the methodology in the Airline Agreements, deposits to the Airline Repair and Replacement Account are expected to be approximately \$160.2 million during the period 2016 through 2022. Approximately \$155.3 million in capital costs will be paid with funds from this Account during the forecast period.

4.9.5 Commission Construction Fund

After satisfaction of other requirements each year, the Commission deposits remaining Revenues into the Commission Construction Fund. Amounts accumulated in the Commission Construction Fund, other than amounts held in the Airline Repair and Replacement Account, may be used for any lawful purpose including capital improvements to the Airport System.

The estimated funding of the CIP Projects, as shown on Exhibits A-2 and A-3, anticipates the use of \$209.4 million of “Internal Funds,” which are from the Commission Construction Fund, in addition to the Airline Repair and Replacement Account. The Application of Revenues, Exhibit G, shows deposits to the Commission Construction Fund, including the Airline Repair and Replacement

Account of \$480.4 million over the period FY 2016 through FY 2022 (see Section 4.14, “Application of Airport System Revenues”).

4.9.6 Line of Credit

In addition to funding from the sources listed above, the Commission may use direct loan funds as needed through its line of credit, to finance projects on a short-term basis. The Commission will then later utilize other funding sources to repay the line of credit.

4.10 PROPOSED SERIES 2016C/D/E BONDS

Exhibit B presents the estimated sources and uses of the Series 2016C/D/E Bonds. The exhibit was based on information prepared by Jefferies LLC, the Commission’s financial advisor, using data and information provided by the Commission.

Proceeds from the Series 2016 Improvement Bonds are expected to be used for the following purposes:

- Fund a portion of the costs related to the Airport’s Parking Facilities Expansion project, which includes the construction of a parking structure and rental car facility, along with roadway construction and plaza relocation
- Repay a portion of the Commission’s line of credit used to fund portions of the Terminal 2-Humphrey Expansion project
- Fund the required deposits to pay the capitalized interest on a portion of the Series 2016 Improvement Bonds and to fund the debt service reserve funds
- Pay the costs of issuing the Series 2016 Improvement Bonds

4.11 DEBT SERVICE REQUIREMENTS

Exhibit C presents historical and forecast Annual Debt Service on outstanding Senior Airport Revenue Bonds, outstanding Subordinate Airport Revenue Obligations, the proposed Series 2016C/D/E Bonds, and the Future Improvement Bonds in conformance with the requirements of the Master Senior Indenture and the Master Subordinate Indenture. In the future, the Commission might (1) refund outstanding debt to realize savings on debt service and (2) issue additional debt to fund projects.

For the purposes of this Report, no future issuances for the purposes of refunding outstanding debt were anticipated or assumed. The Commission does anticipate issuing additional debt to fund projects in the future, as discussed in Section 4.9.1, “Improvement Bonds.” Not considering the issuance of the Series 2016C/D/E Bonds, as of November 1, 2016, the amount of outstanding principal on Senior Airport Revenue Bonds and Subordinate Airport Revenue Bonds totaled about \$1.097 billion, which would be approximately \$60 per enplaned passenger for FY 2016.

Annual Debt Service is net of amounts paid or expected to be paid from PFC receipts. As noted earlier, the Commission has irrevocably committed to apply certain of its PFC receipts through FY 2030 to pay a portion of the debt service attributable to PFC-approved project costs. In addition,

the Commission has applied, and intends to apply in the future, PFC receipts in addition to the irrevocably committed amount each year to payment of debt service approved for such payment by the FAA. The historical and forecast application of irrevocably committed and additional PFC receipts to pay debt service on Senior Airport Revenue Bonds and on Subordinate Airport Revenue Obligations is shown on Exhibit D.

4.12 MAINTENANCE AND OPERATION EXPENSES

Exhibit E presents historical, estimated, and forecast M&O Expenses of the Airport System by category of expense for FY 2014 through FY 2022. Historical M&O Expenses are as reflected in the Commission's audited financial statements. FY 2016 and FY 2017 M&O Expenses are estimates based on the budget.

Forecast M&O Expenses are based on assumed increases in the unit costs of labor, services, utilities, and supplies as a result of price inflation. In particular, it was assumed that:

- The general rate of increase for M&O Expenses will be a combination of (1) an inflation factor of 1.7% per year (which reflects recent inflation levels), and (2) an enplanement factor which adds 50% of the enplanement growth.
- Personnel costs will increase an average of approximately 3.6% per year to reflect increases in staffing levels, salary levels, and changes in benefit costs during the forecast period.
- Professional services, utilities, service agreements, and cleaning maintenance expenses are anticipated to increase at 3% per year after FY 2017, a rate slightly higher than the general rate of increase, based on discussions with the Commission.
- A 12% increase in parking management expenses are anticipated in 2019 due to the construction of the proposed parking structure.
- Reliever expenses are anticipated to increase 3.9% per year, based on discussions with the Commission.

M&O Expenses are forecast to increase from \$173.7 million in FY 2016 to \$212.2 million in FY 2022, which is an average annual growth rate of 3.4%.

4.13 AIRPORT SYSTEM REVENUES

Exhibit F presents historical, estimated, and forecast Revenues by category for FY 2014 through FY 2022. Historical Revenues are based on the Commission's audited financial statements. Revenues for FY 2016 and FY 2017 are estimates based on the budget. The assumptions underlying the increases in Airline Revenues and nonairline revenues are described in the following sections.

4.13.1 Airline Revenues

Airline Revenues, as shown on Exhibit F, range between 32% and 36% as a percentage of Total Revenues during the period FY 2014 through FY 2022. The percentage for FY 2015 and FY 2016 are 34% and 33%, respectively, reflecting a slight decrease in the ratio of airline to non-airline revenues. Airline revenue totals are net of the payment by the Commission at year-end of a portion of certain

concession revenues (food and beverage, merchandise, and rental cars) from that year to certain passenger airlines pursuant to the Airline Agreements.

The Airline Agreements define the cost centers to be used in accounting for revenues and expenses and for calculating certain rents, fees, and charges. The Airline Agreements cover rate-setting for the Terminal 1-Lindbergh building, the airfield and the apron but not for the common-use Terminal 2-Humphrey. As noted earlier, rates at Terminal 2-Humphrey are established by the Commission and implemented by ordinance. There are 13 cost centers as defined in the Airline Agreements. Costs allocated to these cost centers include the following, hereinafter referred to as recoverable costs:

- Direct and indirect M&O Expenses
- Direct and indirect annual debt service on net capital costs
- Direct and indirect capital outlays
- Deposit amounts required to fund the Airline Repair and Replacement Account established by the Airline Agreements
- Required deposits per the Master Senior Indenture, including the replenishment of debt service reserve funds of both the Senior Airport Revenue Bonds and the Subordinate Airport Revenue Bonds, maintenance and operation reserve account, and coverage account (if needed).

The rate-setting procedures are based on the recovery of the costs allocated to certain of these cost centers.

Prior to the beginning of each Fiscal Year, the Commission calculates rents, fees, and charges for the upcoming Fiscal Year based on the annual operating budget, capital expenditure information, estimates of activity, and other relevant information. If, during the course of any Fiscal Year, the Commission believes that significant variances exist in amounts used to calculate rents, fees, and charges for the current Fiscal Year, the Commission may adjust the rents, fees, and charges to reflect revised estimated amounts.

At the end of each Fiscal Year, the Commission is required to determine the difference between the amount a Signatory Airline would have paid during such Fiscal Year based upon actual information for the year, and the amount a Signatory Airline actually paid based upon budgeted and estimated information. The difference is invoiced, credited, or paid to the Signatory Airline, as appropriate.

The calculation of Airline Revenues is described in the following paragraphs.

Terminal Rentals – Terminal 1-Lindbergh

Terminal 1-Lindbergh building rental rate per square foot for space other than that which is janitored is calculated by dividing the net terminal building cost by total rentable space. The net terminal building cost is calculated as recoverable costs, less certain revenues: ground power costs, consortium fee utilities, loading dock credit, carousel and conveyor costs, porter service, queue line, and janitorial operation and maintenance expenses. In addition, the Commission agreed to defer the start of recovery of \$121.6 million of project costs associated with the C/D Concourse extension

from their original date of beneficial occupancy to 2006. Per the terms of the Airline Agreements, the Commission calculated carrying costs for these projects during the deferral period and added the carrying costs to the original project cost, for recovery beginning in 2006 over the useful life of the facility.

The terminal building rental rate per square foot for janitored space is calculated as the terminal building rental rate per square foot for unjanitored space plus an additional amount, the janitored rate, per square foot.

Beginning in FY 2016, costs and space associated with the G Concourse, which had been operated under special agreement with Delta Air Lines, is included in the Terminal 1-Lindbergh rental rate calculations. The associated agreement with Delta Air Lines expired in December 2015.

Terminal Rates – Terminal 2-Humphrey

The cost per operation at Terminal 2-Humphrey is calculated on a cost recovery basis. That is, the total direct and indirect M&O expenses associated with the building and ramp, as well as cleaning services and airline rehabilitation and replacement costs, are used to establish rates for operating at the terminal. Rates are calculated separately for Category I, II and III aircraft, for both domestic and international arrivals. A gate cap is also set which ensures that the Commission recovers no additional cost other than what is required to cover expenses.

Landing Fees

The landing fee rate per 1,000 pounds of aircraft weight is calculated by dividing the net airfield cost by total landed weight of the Signatory Airlines. The net airfield cost is calculated as recoverable airfield costs, plus (1) the annual amount for recovery of costs related to construction of Runway 17/35 that were deferred from previous periods, (2) the amount, if any, for fines, judgments, or extraordinary charges related to the airfield, and (3) certain of the amounts allocable to the airfield required pursuant to the Master Senior Indenture, less certain revenues including: service fees from the military; general aviation and non-signatory landing fees; and annual debt service on capital costs disapproved by a majority-in-interest of signatory airlines.

Air carriers that are not Signatory Airlines are charged a landing fee rate as established from time to time by the Commission. Ordinance No. 115 sets the landing fee rate to be paid by air carriers that are not Signatory Airlines at 125% of the Signatory Airline landing fee rate.

Apron Fees – Terminal 1-Lindbergh

The costs allocated to the Terminal 1-Lindbergh apron cost center are prorated between the users of the concourses and the regional ramp based on lineal feet of ramp and recovered through two fees: the terminal apron fee and the regional ramp fee. The terminal apron rate per lineal foot is calculated by dividing the terminal apron cost, which is equal to its recoverable costs, by the sum of (1) total estimated lineal feet of terminal apron, excluding the regional ramp, and (2) the weighted lineal feet of the regional ramp. The apron adjacent to the G Concourse was not part of the lease arrangement with Delta Air Lines, and has always been part of the apron fee calculation.

Other Airline Fees and Charges

The Commission charges certain other fees and charges for the use of the Airport. These fees include, among others, an IAF use fee for the use of customs and immigration processing facilities, and a carousel and conveyor charge for the use of baggage facilities.

The IAF use fee, which is charged for use of the IAF located on the G Concourse, is calculated as the sum of certain costs associated with the IAF divided by total international passenger arrivals at the IAF on the G Concourse. Fees for use of the customs and immigration processing facilities at Terminal 2-Humphrey are established by ordinance.

A separate gate use fee per aircraft operation also is charged for the use of gates, ramps, and loading bridges on the IAF. The gate use fee per operation is \$400, \$800, and \$1,200 for propeller aircraft, narrow-body aircraft, and wide-body jet aircraft, respectively. These gate use fees were remitted to Delta Air Lines until the expiration on December 31, 2015 of their lease for the G Concourse.

The carousel and conveyor charge is calculated as the sum of (1) equipment charges associated with the carousel and conveyor, (2) maintenance expense, and (3) service charge. These costs are allocated among airlines using a common-use formula, which allocates 20% of the cost equally among each airline using such space and 80% of the cost on the basis of enplaned passengers. Airlines that only operate aircraft with 40 seats or less are excluded from the allocation of the 20% portion of the costs.

Airline Payments per Enplaned Passenger

Exhibit F-1 shows historical and forecast airline payments per enplaned passenger at MSP for FY 2014 through FY 2022. These airline payments are the Airline Revenues shown on Exhibit F (which are net of the airlines' concessions credit) plus amounts paid by Delta Air Lines related to its G Concourse agreement through FY 2015. Airline payments per enplaned passenger are forecast to remain between \$6.35 and \$6.99 during the forecast period.

4.13.2 Nonairline Revenues

Major sources of nonairline revenues include terminal building concessions including retail, public automobile parking, automobile rentals, non-terminal building and land rentals, and other revenues noted below. Forecasts of nonairline revenues are based on the provisions of existing agreements and allowances for inflation, forecast increases in enplaned passengers, and other factors. In particular, it was assumed that:

- Concession revenues, excluding parking, ground transportation and rental car, will increase at the rate of increase in enplaned passengers and in the value of sales which were generally assumed to grow with inflation, plus additional considerations for fluctuations caused by planned construction of tenant locations and openings of new outlets.
- Concession revenues from parking and ground transportation will increase at the rate of increase in enplaned passengers, excluding connecting passengers. Additional increases in parking revenue are assumed based on planned increases in parking rates.

- Rental car concession revenues will remain constant, reflecting rental car companies paying the minimum annual guaranteed amount.
- Non-terminal building and land rentals will have periodic rent adjustments that result in an average increase of 2% per year over the forecast period.
- The CFC is forecast to provide \$21.6 million in FY 2018.

Table 22 shows various nonairline revenues (in total and per originating passenger) at MSP for FY 2015.

Source	Total (in thousands)	Per originating passenger
Parking	\$87,578	\$ 9.14
Rental cars	18,708	1.95
Buildings, Facilities, and Ground Rentals	17,234	1.80
Food and beverage	16,836	1.76 (a)
News, Retail Stores, and Passenger Services	12,617	1.32 (a)
Rental Car CFC	11,913	1.24
Miscellaneous (b)	10,014	1.05
Ground Transportation and Employee Parking	9,314	0.97
Utilities	4,665	0.49
General Aviation / Airside Fees	<u>3,799</u>	<u>0.40</u>
Total MSP nonairline rev.	\$192,677	\$ 20.11

Note: Columns may not add to totals shown because of rounding.

(a) If calculated on total enplaned passengers, food and beverage is \$0.95 and news, retail stores, and passenger services is \$0.71.

(b) Miscellaneous revenues include miscellaneous concessions, consortium fees, reimbursed expense, and other revenues.

Source: Metropolitan Airport Commission and LeighFisher.

Public automobile parking revenues; rental car revenues; food and beverage, news, retail stores, and passenger services revenues; miscellaneous concession revenues; other nonairline revenues; and reliever airports and non-operating revenue are described below.

Public Automobile Parking Revenues

Public automobile parking is the largest source of nonairline revenue in the Airport System. Public automobile parking, which does not include revenue from employee parking, was \$87.6 million in FY 2015, equal to approximately 27% of total Revenues (45% of nonairline revenues).

ABM Parking Services (ABM) operates the public parking facilities at the Airport under a parking management services agreement that became effective on July 1, 2015 and expires on December 31, 2017. The agreement with ABM includes three, 2-year extension options at the discretion of the Commission. It was assumed in the analysis that, whether the Commission extends the agreement with ABM or enters into a new agreement, any such agreement in place through the forecast period will have terms that are no less beneficial to the Commission as those of the existing agreement.

Pursuant to the agreement with ABM, ABM is responsible for maintaining and operating the existing facilities and collecting parking fees established by the Commission. ABM remits all gross parking revenues to the Commission and is reimbursed for operating expenses and paid a management fee. Current parking rates at MSP are shown in Table 23.

Automobile parking revenues are forecast to increase from \$90.7 million in FY 2016 to \$118.1 million in FY 2022. This is an average annual growth rate of 4.5% over the 6-year period. The Commission anticipates increases to the maximum daily parking rate every other year. However, the forecast is based on rate increases every third year; increases are reflected in 2017 and 2020. For 2017, the increases to the rate reflect \$2 increases for general parking, \$1 increases for Value Parking at Terminal 2-Humphrey and the remote Quick Ride Ramp (which serves Terminal 1-Lindbergh by shuttle), and a \$5 increase for valet parking, which were approved at the Commission's August 2016 meeting. Similar increases are assumed in 2020.

Table 23
MSP PARKING RATES AS OF NOVEMBER 1, 2016
Metropolitan Airports Commission

	<u>ePark® Rate (a)</u>	<u>Regular Rate</u>
Quick Ride Ramp (shuttle to Terminal 1-Lindbergh)		
Each Hour	\$3.00	N/A
Daily Maximum	\$14.00	N/A
General Parking (Terminal 1-Lindbergh)		
Daily Maximum	\$22.00	\$24.00
Value Parking (Terminal 2-Humphrey)		
Daily Maximum	\$14.00	\$16.00
Short-term Parking (both terminals)		
First Hour	\$3.00	\$5.00
Each Additional Hour	\$3.00	\$3.00
Daily Maximum	\$34.00	\$36.00
Valet Parking (Terminal 1-Lindbergh)		
First Hour	N/A	\$10.00
Each Additional Hour	N/A	\$3.00
Daily Maximum	N/A	\$40.00

(a) ePark® is a credit (debit) card based discount parking option that eliminates the use of tickets and cashiers.

Source: Metropolitan Airports Commission.

It is assumed that parking rate increases will not result in a material decrease in demand for public parking, as the Commission is regularly operating at capacity in certain of its facilities during peak days each week. Additionally, historical rate increases have not produced appreciable decreases in revenue.

Approximately 5,000 additional public parking spaces will become available in the fall of 2019 when the new parking facility opens which is currently under construction adjacent to Terminal 1-Lindbergh. This new parking facility will house approximately 3,300 public parking spaces and the relocated T1-Lindbergh auto rental ready-return operations. Also in the fall of 2019, an additional 1,700 public parking spaces will become available in the existing T1-Lindbergh ramps when the auto rental companies move their T1-Lindbergh ready-return operations to the new parking facility.

Rental Car Revenues

Four rental car companies, encompassing ten brands have on-Airport concession agreements and have terms through December 31, 2018, with an option to extend through a portion of 2019, when the rental car companies will be relocated. These companies (with associated brands in parentheses) are:

- Advantage
- Avis (Avis, Budget, and Zipcar)
- Enterprise (Enterprise, Alamo, and National)
- Hertz (Hertz, Dollar, and Thrifty)

As a concession fee, the Commission receives annually the greater of (1) an amount equal to 10% of gross receipts for such year, or (2) a minimum annual guaranteed (MAG) amount. The annual MAG equals the greater of (a) an amount equal to 85% of the concession fee paid by the rental car company in the prior year, or (b) the MAG amount for 2014 as established by the concessions agreements. In addition, each rental car company pays rent for exclusive-use space in the terminals and ground rent for use of the ready/return area and vehicle storage.

Two off-Airport rental car companies (Payless and Sixt) operate at the Airport under permits, which are renewed on an annual basis. The off-Airport rental car companies are required to pay a 10% percentage of gross receipts as a privilege fee for use of the Airport, (the same amount that is charged to the on-Airport rental car companies). Revenues from these fees are included in Miscellaneous Concession Revenue on Exhibit F.

Revenues from rental car concession privilege fees are forecast to increase from \$17.6 million in FY 2016 to \$20.0 million in FY 2022. This is based on year-to-date revenues for FY 2016 that exceed the budget, followed by limited growth due to certain rental car companies not currently exceeding the MAG amount. Starting in FY 2020, the new agreements will be in effect with new, higher MAG amounts.

The Commission currently levies a CFC of \$5.90 per rental car transaction day, which is collected and remitted to the Commission by the on-Airport rental car companies. Amounts from the CFC are shown as nonairline revenue on Exhibit F. The Commission has established that rate of \$5.90 through December 31, 2019, and in 2019 will review the CFC rate with the intent of making a rate adjustment (either increase or decrease) effective January 1, 2020, necessary to maintain revenues from the CFC at a level adequate for any CFC-related obligations. CFCs may be used to recover costs related to the rental car facility, including M&O Expenses, heavy maintenance, and debt service related to facility construction and improvements, as established by Commission ordinance. The forecast assumes no increase in the CFC rate over the duration of the forecast period.

CFCs are used to pay debt service on the Subordinate Series 2012A Bonds and will be used to pay debt service on the Subordinate Series 2016E Bonds.

Food and Beverage, News, Retail Stores, and Passenger Services Revenues

The Commission has entered into agreements for retail and food and beverage concessions with various firms selected through competitive proposals. Approximately 40% of the food and beverage program (by square footage) is being reconstructed in 2016 and early 2017 under new leases. Approximately 40% will continue under current lease terms until undergoing the same

redevelopment process in late 2018 and early 2019. The redevelopment provides the opportunity for new concessions at the Airport; several new restaurants, news, duty-free, and retail stores will be entering into new leases in the near term at the Airport. The remaining 20% consists of operators in both terminals that have lease expiration dates after 2019. A “street plus 10%” pricing policy of the Commission is in effect to ensure that food and merchandise prices at the Airport are similar to those in stores and restaurants in the area, including the Mall of America.

The following tenants serve as the primary concessionaires at the Airport, with numerous vendors as subtenants:

- Aero Service Group, Inc.
- Anton Airfood, Inc.
- DN-CBR MSP, LLC
- Dufry MSP Retailers JV
- Host International, Inc.
- Hudson Group HG Retail, LLC
- Midfield Concession Enterprises, Inc.
- OTG Management Midwest, LLC (OTG)
- Pacific Gateway Concessions, LLC
- SSP America MSP, LLC
- WDFG North America, LLC

There are approximately 75 food and beverage, and 70 merchandise locations in the terminals. Delta Air Lines solicited proposals and entered into an agreement with OTG covering concession activities on the G Concourse. The agreement became effective on Jan 1, 2012 with a 10-year term and a 5-year option at OTG’s discretion. Following expiration of the special agreement with Delta Air Lines related to the G Concourse at the end of FY 2015, the Commission assumed the OTG agreement and the associated concession revenues from it.

Food and Beverage revenues are forecast to increase from \$20.1 million in FY 2016 to \$26.8 million in FY 2022. This is an average annual growth rate of 4.9% over the 6-year period.

News, retail stores, and passenger services revenues are forecast to increase from \$15.4 million in FY 2016 to \$17.5 million in FY 2022. This is an average annual growth rate of 2.1% over the 6-year period.

Miscellaneous Concession Revenues

Miscellaneous concession revenues include ground transportation fees, MSP employee parking, and various others. The revenues from these concessions are forecast to increase from \$11.5 million in FY 2016 to \$16.1 million in 2022. This is an average annual growth rate of 5.8% over the 6-year period. Transportation Network Companies (TNCs) or ride-sharing services are permitted to serve passengers at the Airport. Such companies pay per-trip access fees similar to taxis and hotel shuttles.

Other Nonairline Revenues

Other nonairline revenues consist principally of general aviation fees, cargo fees, building and ground rentals (other than terminal rentals included in Airline Revenues), a hotel facility charge (HFC), the rental car CFC, utilities, consortium fees, and reimbursed expenses.

The HFC will be a new charge, anticipated to become effective upon the opening of the proposed hotel facility in February 2018. The HFC would recover the Commission's costs of projects related to the hotel and will be revenue neutral to the Commission. It is anticipated that the hotel would also generate additional ground rent for the Commission, paid based upon its total leased land areas, as well as concessions fee revenue based upon a percentage of gross sales (ranging from 0% for sales below \$20 million, to 12% for sales over \$30 million).

Other nonairline revenues, other than rental car CFC revenues, are forecast to increase from \$33.4 million in FY 2016 to \$41.9 million in FY 2022. This is an average annual growth rate of 3.9% over the 6-year period.

CFC revenues are forecast to increase from \$21.0 million in 2016 to \$22.6 million in FY 2022, an average annual growth rate of 1.3% over the 6-year period. The forecast anticipates no adjustments to the CFC rate over the forecast period, as discussed in the section, "Rental Car Revenues."

Reliever Airports

Rentals, fees, and other charges at the reliever airports combined totaled \$6.9 million in FY 2015, sufficient to cover the \$6.0 million in expenses related to the reliever airports in FY 2015. Reliever airport revenues are forecast to be \$8.1 million in FY 2022. Activity at the Commission's reliever airports represented 2.2% of total Revenues in FY 2015.

Non-Operating Revenue

Significant non-operating revenue sources include interest income and rental payments from various entities associated with "Self-Liquidating Facilities." As described earlier, the Self Liquidating Payments are amounts equal to the principal and interest on debt associated with facilities that are classified as such.

Interest income is generated on the Commission's cash and cash equivalent balances (including reserve accounts and certain other restricted funds and accounts) and from interest payment components of the self-liquidating lease agreements. Interest income as defined under the Senior Master Indenture excludes interest earnings on amounts in the Bond Construction Fund (interest earnings on the Commission Construction Fund, which are included) and on PFC Receipts. Interest income is forecast to decrease over the forecast period, from \$5.5 million in FY 2016 to \$3.9 million in FY 2022, reflecting constant interest earnings from cash balances and decreases in the scheduled interest payments from self-liquidating leases.

Self Liquidating Payments reflect the principal components of self-liquidating leases, which total \$4.4 million in FY 2016 and are forecast to fluctuate throughout the forecast period according to the lease amortization schedules.

4.14 APPLICATION OF AIRPORT SYSTEM REVENUES

Exhibit G presents the forecast application of Airport System Revenues for FY 2016 through FY 2022.

4.15 RATE COVENANT AND DEBT SERVICE COVERAGE

Exhibit H presents the forecast Rate Covenant calculation required by Section 5.04 of the Master Senior Indenture. Rate Covenant compliance is forecast for each year of the forecast period. Pro forma coverage calculations for Annual Debt Service on the Senior Airport Revenue Bonds (including the proposed Senior Series 2016C Bonds, and applicable series from the Future Improvement Bonds) are shown on the exhibit using Net Revenues only, and using Net Revenues plus the Transfer calculated pursuant to the Master Senior Indenture.

Exhibit H-1 presents the forecast Rate Covenant calculation required by Section 5.04 of the Master Subordinate Indenture. Rate Covenant compliance is forecast for each year of the forecast period. Pro forma coverage calculations for Annual Debt Service on the Subordinate Airport Revenue Obligations (including the proposed Subordinate Series 2016D Bonds, the proposed Subordinate Series 2016E Bonds, and applicable series from the Future Improvement Bonds) are shown on the exhibit using Subordinate Revenues only, and using Subordinate Revenues plus the Transfer calculated pursuant to the Master Subordinate Indenture. At the bottom of Exhibit H-1 are pro forma coverage calculations for total Annual Debt Service on the Senior Airport Revenue Bonds, and the Subordinate Airport Revenue Obligations, including the proposed Series 2016C/D/E Bonds, and applicable series from the Future Improvement Bonds to be issued during the forecast period, using Net Revenues only and using Net Revenues plus the Transfer calculated pursuant to the Master Senior Indenture.

As the Subordinate Series 2021 Improvement Bonds are not anticipated to be issued until FY 2021, the first debt service payment would not become due until FY 2024 after the completion of the capitalized interest period, which is beyond the forecast period of this Report. Therefore debt service payments and corresponding airline revenue increases associated with the Subordinate Series 2021 Improvement Bonds are not reflected in this Report.

4.16 STRESS TEST SCENARIO

A stress test scenario of enplaned passengers was developed to provide the basis for conducting a test of the Commission's financial results to hypothetical reductions in passenger numbers, such as could occur under conditions of weak economic growth or recession, restricted seat capacity, high fares, and reduced connecting airline service that may result from changes in airline network strategies. For the purpose of this stress test scenario, it was assumed that reduced airline flight activity would more adversely affect traffic connecting through the Airport than traffic originating in or destined for the MSA.

The reduction in passengers assumed in 2018 in this stress test depicts the potential effect of a hub "downsizing" by the primary airline accommodating connecting traffic at the Airport—Delta. In the stress test scenario, air service reductions by Delta at MSP result in fewer connecting opportunities and a consequent overall reduction in connecting traffic. Currently Delta's enplaned passengers are split approximately 40% originating and 60% connecting (see Table 14 in "Airline Traffic Analysis"). If such a stress scenario were to occur, Delta's originating passengers would likely increase to 45-50% of their total enplaned passengers. Even in such a situation, however, MSP would continue to retain some level of connecting activity by virtue of: (1) the "natural hub" concept (see Table 17 and associated text in "Airline Traffic Analysis"), (2) its sizeable population of local travelers which supports air service, (3) its favorable geographic location for connecting transcontinental passenger flows.

The number of enplaned passengers for the stress test in 2022 is assumed to be 16.0 million, compared with 19.8 million for the base case forecast. Relative to the base case forecast for 2022, originating passenger activity in the stress test scenario is assumed to be 10% lower and connecting passenger activity is assumed to be 30% lower. Connecting passengers account for approximately 40% of total enplanements for 2022 for the stress test scenario, compared with 46% for the base case forecast.

Table 24 presents the stress test scenario relative to the base case forecast. Figure 17 depicts the stress test scenario graphically. As shown in Figure 17, stress test passenger activity levels assumed for 2022 are close to the levels reported in 2011, simulating over a decade of no net growth in passenger volumes. The decline in originating passengers in 2018 is of approximately the same magnitude as the decline in originating passengers experienced at the Airport in 2001, resulting from that year's economic recession and the events of 9/11. The more substantial reduction in connecting activity is not comparable to any recent historical event experienced at the Airport and returns connecting passenger levels to those last recorded in the early- to mid-1990s.

4.16.1 Stress Financial Assumptions and Results

The reduction of passengers included in the stress test scenario affects Airport expenses and revenues in several categories, given that future estimated revenues are in many cases tied to passenger growth, as described in Sections 4.12 and 4.13, respectively. The stress test scenario assumes that passenger-related nonairline revenues (i.e., food & beverage, news, retail stores, passenger services, parking, ground transportation, and auto rental CFCs) would be lower due to enplaned passenger reductions. The reduction in concessions revenues causes the airlines' concessions credit to be reduced (which is reflected as an increase in airline revenues), partially mitigating the revenue loss to the Commission.

The stress test scenario also assumes that airlines would rent approximately 20% less terminal space in 2021 and 2022 (the time at which obligations under the current Airline Agreements expire) as compared to prior years in response to the decrease in enplanements for those years. It is also assumed that, in response, the Commission would reduce the total available rentable space by approximately 20% in 2021 and 2022 in order to match the decrease in demand.

The financial results of the hypothetical stress test scenario are reflected on Exhibit I-2. Aside from the adjustments noted above we have assumed the Commission takes no action to defer projects in the CIP, change the plan of finance associated with the Future Improvement Bonds, reduce expenses, or increase revenues.

Under the stress test scenario, the Commission is able to fully meet its obligations required by the Master Senior Indenture and the Master Subordinate Indenture. During certain years, the balance of the PFC Fund is less than zero. In this circumstance, the Commission would take action to either defer PFC-funded CIP projects to later years or to temporarily fund such projects with its line of credit until such time that PFC funds could repay the line of credit.

The stress test scenario is only for the purpose of assessing the effects of such assumptions on Commission financial operations and does not represent an expectation of events or a projection of expected results.

Table 24
BASE CASE FORECAST AND STRESS TEST SCENARIO
Minneapolis-St. Paul International Airport
 (calendar years; in thousands)

The base case forecast was prepared on the basis of the information and assumptions given in the text. The stress test scenario was based upon purely hypothetical assumptions. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.

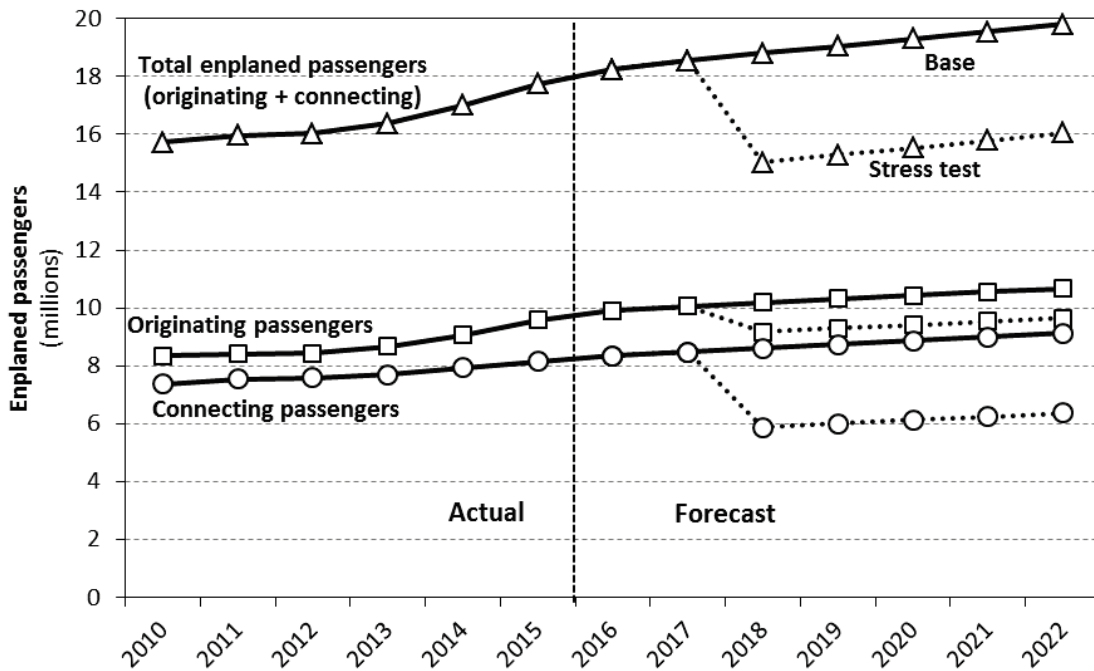
	Actual		Forecast						
	2014	2015	2016	2017	2018	2019	2020	2021	2022
Base case									
Enplaned passengers	17,008	17,734	18,250	18,550	18,800	19,050	19,300	19,550	19,800
Originating passengers	9,069	9,579	9,912	10,072	10,193	10,314	10,436	10,557	10,678
Connecting passengers	7,939	8,155	8,338	8,478	8,607	8,736	8,864	8,993	9,122
Stress test									
Enplaned passengers	17,008	17,734	18,250	18,550	15,040	15,290	15,540	15,790	16,040
Originating passengers	9,069	9,579	9,912	10,072	9,175	9,295	9,415	9,535	9,655
Connecting passengers	7,939	8,155	8,338	8,478	5,865	5,995	6,125	6,255	6,385
Percent reduction from Base									
Enplaned passengers	-	-	-	-	(20%)	(20%)	(19%)	(19%)	(19%)
Originating passengers	-	-	-	-	(10)	(10)	(10)	(10)	(10)
Connecting passengers	-	-	-	-	(32)	(31)	(31)	(30)	(30)

Notes: Columns may not add to totals shown because of rounding.
 Actual originating and connecting numbers shown for MSP may not match numbers reported by the Commission.

Sources: Actual: Metropolitan Airports Commission; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.
 Forecast: LeighFisher, June 2016.

Figure 17
BASE CASE FORECAST AND STRESS TEST SCENARIO
 Minneapolis-St. Paul International Airport
 (calendar years; in thousands)

The base case forecast was prepared on the basis of the information and assumptions given in the text. The stress test scenario was based upon purely hypothetical assumptions. The achievement of any forecast is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results may vary from the forecast, and the variance could be material.



Notes: Columns may not add to totals shown because of rounding.
 Actual originating and connecting numbers shown for MSP may not match numbers reported by the Commission.

Sources: Actual: Metropolitan Airports Commission; U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.
 Forecast: LeighFisher, June 2016.

Exhibit A-1
Capital Improvement Program - Costs by Year
CIP Projects (2016 - 2022)
Metropolitan Airports Commission
(for Fiscal Years ending December 31; in thousands)

	Total	2016	2017	2018	2019	2020	2021	2022
Parking Facilities MSP Expansion								
T1 Parking - Parking Structure and RAC Facility	\$ 293,000	\$ -	\$ 293,000	\$ -	\$ -	\$ -	\$ -	\$ -
T1 Parking - Roadway and Plaza Relocation	102,639	102,639	-	-	-	-	-	-
Other	47,361	47,361	-	-	-	-	-	-
Subtotal - Parking Facilities MSP Expansion	\$ 443,000	\$ 150,000	\$ 293,000	\$ -	\$ -	\$ -	\$ -	\$ -
Additional CIP Projects								
Terminal 1 - Lindbergh Expansion and Rehabilitation	\$ 700,050	\$ 129,550	\$ 106,450	\$ 47,350	\$ 123,200	\$ 120,550	\$ 79,450	\$ 93,500
Police and Fire	86,400	4,850	7,850	5,700	8,500	53,000	3,500	3,000
Reliever Airports	74,750	7,900	4,500	4,250	17,250	11,100	12,450	17,300
Airfield and Runway	63,450	3,550	11,800	8,400	17,850	11,350	6,750	3,750
Hangars and Other Buildings	25,850	4,200	9,100	2,600	3,150	3,150	2,150	1,500
Parking Facilities Rehabilitation and Repair	25,350	2,850	3,500	2,500	4,500	3,000	6,000	3,000
Noise Mitigation Program	19,300	-	-	7,500	7,500	4,300	-	-
Terminal 2 - Humphrey	12,600	2,100	-	-	3,000	1,500	5,500	500
Environmental	12,550	2,000	450	800	3,500	3,800	-	2,000
Other	10,650	2,025	1,325	1,150	650	2,250	2,700	550
Subtotal - Additional CIP Projects	\$ 1,030,950	\$ 159,025	\$ 144,975	\$ 80,250	\$ 189,100	\$ 214,000	\$ 118,500	\$ 125,100
Total CIP	\$ 1,473,950	\$ 309,025	\$ 437,975	\$ 80,250	\$ 189,100	\$ 214,000	\$ 118,500	\$ 125,100

Source: Metropolitan Airports Commission.

Exhibit A-2
Capital Improvement Program - Funding 2016-2017
CIP Projects (2016 - 2017)
Metropolitan Airports Commission
(for Fiscal Years ending December 31; in thousands)

	2016 Improvement Bonds				State and Federal Grants	PFC Pay-As-You- Go	Line of Credit	Airline R&R	Internal Funds
	Total	2016C	2016E	Subtotal					
Parking Facilities MSP Expansion									
T1 Parking - Parking Structure and RAC Facility	\$ 293,000	\$ 161,150	\$ 131,850	\$ 293,000	\$ -	\$ -	\$ -	\$ -	\$ -
T1 Parking - Roadway and Plaza Relocation	102,639	25,096	27,652	52,748	-	40,266	-	-	9,625
Other	47,361	29,254	9,998	39,252	-	-	-	-	8,109
Subtotal - Parking Facilities MSP Expansion	\$ 443,000	\$ 215,500	\$ 169,500	\$ 385,000	\$ -	\$ 40,266	\$ -	\$ -	\$ 17,734
Additional CIP Projects									
Terminal 1 - Lindbergh Expansion and Rehabilitation	\$ 236,000	\$ -	\$ -	\$ -	\$ 2,000	\$ 117,200	\$ 7,500	\$ 34,700	\$ 74,600
Police and Fire	12,700	-	-	-	4,000	6,850	-	1,850	-
Reliever Airports	12,400	-	-	-	7,201	-	-	-	5,199
Airfield and Runway	15,350	-	-	-	4,950	3,300	-	4,250	2,850
Hangars and Other Buildings	13,300	-	-	-	-	-	5,000	-	8,300
Parking Facilities Rehabilitation and Repair	6,350	-	-	-	-	-	-	-	6,350
Noise Mitigation Program	-	-	-	-	-	-	-	-	-
Terminal 2 - Humphrey	2,100	-	-	-	-	1,800	-	300	-
Environmental	2,450	-	-	-	-	2,000	-	-	450
Other	3,350	-	-	-	-	-	-	-	3,350
Subtotal - Additional CIP Projects	\$ 304,000	\$ -	\$ -	\$ -	\$ 18,151	\$ 131,150	\$ 12,500	\$ 41,100	\$ 101,099
Total CIP Projects (2016-2017)	\$ 747,000	\$ 215,500	\$ 169,500	\$ 385,000	\$ 18,151	\$ 171,416	\$ 12,500	\$ 41,100	\$ 118,833

Source: Metropolitan Airports Commission.

Exhibit A-3
Capital Improvement Program - Funding 2018-2022
CIP Projects (2018 - 2022)
Metropolitan Airports Commission
(for Fiscal Years ending December 31; in thousands)

	2019 Improvement Bonds			2021 Improvement Bonds			State and Federal Grants	PFC Pay-As-You-Go	Line of Credit	Airline R&R	Internal Funds	
	Total	2019A	2019B	Subtotal	2021A	2021B						Subtotal
Parking Facilities MSP Expansion												
T1 Parking - Parking Structure and RAC Facility	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
T1 Parking - Roadway and Plaza Relocation	-	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	
Subtotal - Parking Facilities MSP Expansion	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Additional CIP Projects												
Terminal 1 - Lindbergh Expansion and Rehabilitation	\$ 464,050	\$ -	\$ 98,300	\$ 98,300	\$ -	\$ 104,700	\$ 104,700	\$ 6,000	\$ 144,800	\$ -	\$ 91,850	\$ 18,400
Police and Fire	73,700	44,000	-	44,000	-	-	-	750	20,200	-	8,750	-
Reliever Airports	62,350	10,550	-	10,550	-	-	-	18,741	-	-	-	33,059
Airfield and Runway	48,100	1,300	-	1,300	-	-	-	24,700	11,300	-	9,800	1,000
Hangars and Other Buildings	12,550	-	4,150	4,150	-	1,500	1,500	-	-	-	-	6,900
Parking Facilities Rehabilitation and Repair	19,000	5,000	-	5,000	6,000	-	6,000	-	-	-	-	8,000
Noise Mitigation Program	19,300	-	-	-	-	-	-	-	-	-	-	19,300
Terminal 2 - Humphrey	10,500	-	1,700	1,700	-	5,000	5,000	-	-	-	3,800	-
Environmental	10,100	-	-	-	2,000	-	2,000	450	7,650	-	-	-
Other	7,300	1,400	-	1,400	2,000	-	2,000	-	-	-	-	3,900
Subtotal - Additional CIP Projects	\$ 726,950	\$ 62,250	\$ 104,150	\$ 166,400	\$ 10,000	\$ 111,200	\$ 121,200	\$ 50,641	\$ 183,950	\$ -	\$ 114,200	\$ 90,559
Total CIP Projects (2018-2022)	\$ 726,950	\$ 62,250	\$ 104,150	\$ 166,400	\$ 10,000	\$ 111,200	\$ 121,200	\$ 50,641	\$ 183,950	\$ -	\$ 114,200	\$ 90,559
Total CIP Projects (2016-2017) from Exhibit A-2	\$ 747,000											
Grand Total CIP Projects (2016-2022)	\$ 1,473,950											

Source: Metropolitan Airports Commission.

Exhibit B
Sources and Uses of Funds - Improvement Bonds
Metropolitan Airports Commission
(in thousands)

	Series 2016C-D-E				Series 2019A-B			Series 2021A-B		
	Series 2016C	Series 2016D /1	Series 2016E	Subtotal	Series 2019A	Series 2019B	Subtotal	Series 2021A	Series 2021B	Subtotal
	Senior	Subordinate	Subordinate		Senior	Senior		Subordinate	Subordinate	
Sources of Funds										
Par Amount of Bonds	\$ 225,015	\$ 25,030	\$ 187,690	\$ 437,735	\$ 78,535	\$ 131,390	\$ 209,925	\$ 12,840	\$ 142,745	\$ 155,585
Premium (Discount)	23,895	1,943	-	25,838	-	-	-	-	-	-
Capitalized Interest Funded with Cash	-	-	12,808	12,808						
Total Sources of Funds	\$ 248,910	\$ 26,973	\$ 200,498	\$ 476,381	\$ 78,535	\$ 131,390	\$ 209,925	\$ 12,840	\$ 142,745	\$ 155,585
Use of Funds										
Construction Fund	\$ 215,500	\$ -	\$ 169,500	\$ 385,000	\$ 62,250	\$ 104,150	\$ 166,400	\$ 10,000	\$ 111,200	\$ 121,200
Reimbursement of Line of Credit	-	25,000	-	25,000	-	-	-	-	-	-
Deposit to Debt Service Reserve Fund	15,088	1,818	17,062	33,969	6,386	10,682	17,068	1,094	12,130	13,224
Capitalized Interest	16,969	-	12,808	29,777	9,424	15,767	25,191	1,669	18,557	20,226
Underwriters Discount	900	100	751	1,751	314	526	840	51	371	622
Costs of Issuance	450	50	375	875	157	263	420	26	285	311
Additional Proceeds	2	5	2	9	4	3	7	0	1	1
Total Uses of Funds	\$ 248,910	\$ 26,973	\$ 200,498	\$ 476,381	\$ 78,535	\$ 131,390	\$ 209,925	\$ 12,840	\$ 142,745	\$ 155,585

Sources: Metropolitan Airports Commission and Jefferies LLC.

Notes: Preliminary, subject to change.

1. Series 2016D Bonds will be used to reimburse the Commission's line of credit for historical costs incurred for the expansion of facilities in T2-Humphrey.

Exhibit C
Annual Debt Service
Metropolitan Airports Commission
(for Fiscal Years ending December 31; in thousands)

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Senior Airport Revenue Bonds									
Series 2007A	\$ 20,960	\$ 20,960	\$ 32,460	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2008A	11,125	11,014	-	-	-	-	-	-	-
Series 2009A	2,657	2,659	2,656	2,656	2,662	2,654	2,654	213	-
Series 2009B	15,317	15,319	15,318	15,320	15,317	15,319	15,312	4,022	-
Series 2010A	2,984	2,984	2,983	2,983	2,983	2,983	2,983	2,983	2,983
Series 2010B	6,957	6,957	6,961	6,958	6,960	6,957	6,957	6,961	6,957
Series 2016A	-	-	-	20,378	16,412	16,412	16,412	16,412	16,412
Series 2016C (Improvement Bonds) /1	-	-	-	-	9,543	15,087	15,087	15,086	15,088
Series 2019A (Improvement Bonds) /1	-	-	-	-	-	-	-	6,382	6,382
Series 2019B (Improvement Bonds) /1	-	-	-	-	-	-	-	10,678	10,681
Debt Service on Senior Airport Revenue Bonds /2	\$ 60,000	\$ 59,893	\$ 60,378	\$ 48,294	\$ 53,877	\$ 59,411	\$ 59,405	\$ 62,736	\$ 58,502
Subordinate Airport Revenue Obligations									
Series 2005A-C	\$ 28,876	\$ 21,258	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Series 2007B	9,422	9,422	14,867	12,726	-	-	-	-	-
Series 2010C	4,324	4,323	1,876	828	827	824	824	823	826
Series 2010D	9,808	9,801	7,055	5,863	5,850	5,847	5,842	5,834	5,825
Series 2011A	2,510	2,510	6,550	6,543	6,540	6,536	6,525	6,522	6,516
Series 2012A	5,740	6,158	6,149	6,140	6,129	6,118	6,108	-	-
Series 2012B	2,100	2,100	2,101	2,101	2,101	2,101	2,101	2,101	2,101
Series 2014A	-	7,850	13,983	15,207	15,180	11,552	11,548	11,547	18,596
Series 2014B	-	1,589	5,987	5,920	5,554	5,550	5,545	5,541	5,536
Series 2016B	-	-	-	5,465	19,082	21,811	21,792	21,803	28,117
Series 2016D (Improvement Bonds) /1	-	-	-	660	1,767	1,803	1,800	1,798	1,799
Series 2016E (Improvement Bonds) /1	-	-	-	-	-	16,934	16,923	16,909	16,892
Series 2021A (Improvement Bonds) /1 /3	-	-	-	-	-	-	-	-	-
Series 2021B (Improvement Bonds) /1 /3	-	-	-	-	-	-	-	-	-
Short-term financing paid from Revenues /4	758	1,811	2,161	4,156	4,587	5,041	5,041	5,041	5,041
Debt Service on Subordinate Airport Revenue Obligations /5	\$ 63,538	\$ 66,822	\$ 60,728	\$ 65,610	\$ 67,618	\$ 84,115	\$ 84,048	\$ 77,919	\$ 91,248
PFC Receipts Used to Pay Debt Service									
Existing and Refunding Bonds									
Senior Airport Revenue Bonds	\$ (9,587)	\$ (11,809)	\$ (11,194)	\$ (8,903)	\$ (8,040)	\$ (8,037)	\$ (8,036)	\$ (5,075)	\$ (4,256)
Subordinate Airport Revenue Bonds	(16,058)	(11,801)	(17,972)	(17,694)	(17,915)	(18,014)	(17,996)	(17,994)	(20,825)
Total PFC Receipts Used to Pay Debt Service	\$ (25,645)	\$ (23,610)	\$ (29,166)	\$ (26,598)	\$ (25,954)	\$ (26,051)	\$ (26,032)	\$ (23,068)	\$ (25,081)
Annual Debt Service per Indentures (net of PFCs)									
Annual Debt Service per Master Senior Indenture	\$ 50,413	\$ 48,084	\$ 49,184	\$ 39,391	\$ 45,837	\$ 51,374	\$ 51,369	\$ 57,662	\$ 54,246
Annual Debt Service per Master Subordinate Indenture	47,480	55,021	42,756	47,916	49,703	66,101	66,051	59,925	70,424
Total Annual Debt Service-Senior and Subordinate	\$ 97,893	\$ 103,104	\$ 91,940	\$ 87,307	\$ 95,540	\$ 117,475	\$ 117,420	\$ 117,587	\$ 124,669

Sources: Metropolitan Airports Commission and LeighFisher.

- Notes:
1. Preliminary, subject to change. See Exhibit B and the accompanying report for a description of the plan of finance for the Improvement Bonds.
 2. Debt Service on Senior Lien Debt is reported on a deposit basis, per the Master Senior Indenture.
 3. Series 2021A-B Bonds are not anticipated to require debt service payments until FY 2024 (approximately \$13.2 million annually). Therefore debt service payments and corresponding airline revenue increases associated with the Series 2021A-B Bonds are not reflected in these financial forecasts.
 4. Payments on the Commission's \$75 million line of credit. Forecast values assume full utilization, 20-year amortization, and interest rates of 1% in 2017, 2% in 2018, and 3% thereafter.
 5. Debt Service on Subordinate Airport Revenue Obligations is reported on a payment basis, per the Master Subordinate Indenture.

Exhibit D
Historical and Forecast PFC Receipts
Metropolitan Airports Commission
(for Fiscal Years ending December 31; in thousands except rates)

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

	2014	Actual 2015	Forecast 2016	2017	2018	2019	2020	2021	2022
PFC Collections									
Enplaned Passengers	17,008	17,734	18,250	18,550	18,800	19,050	19,300	19,550	19,800
Percent of PFC Eligible Passengers	89.6%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%	90.0%
PFC Eligible Enplaned Passengers	15,240	15,958	16,422	16,692	16,917	17,141	17,366	17,591	17,816
PFC Level	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50	\$ 4.50
Less: PFC Airline Collection Fee	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)	(0.11)
Net PFC Level	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39
PFC Collections (excluding interest)	\$ 66,905	\$ 70,054	\$ 72,091	\$ 73,276	\$ 74,264	\$ 75,251	\$ 76,239	\$ 77,226	\$ 78,214
PFC Cash Flow									
PFC Fund Beginning Balance			\$ 177,189	\$ 51,088	\$ 26,186	\$ 43,672	\$ 55,239	\$ 4,843	\$ 44,361
Deposits:									
PFC Collections			\$ 72,091	\$ 73,276	\$ 74,264	\$ 75,251	\$ 76,239	\$ 77,226	\$ 78,214
Interest Earnings			285	96	87	123	75	61	170
Total Annual PFC Receipts			\$ 72,376	\$ 73,372	\$ 74,351	\$ 75,375	\$ 76,314	\$ 77,288	\$ 78,384
Use of PFC Receipts									
Pay-as-you-go (Capital Projects 2016-2022)			\$ (100,666)	\$ (70,750)	\$ (30,550)	\$ (37,500)	\$ (100,400)	\$ (11,500)	\$ (4,000)
Pay-as-you-go (Prior Capital Projects)			(68,514)	-	-	-	-	-	-
Debt Service									
Existing and Refunding Bonds									
Irrevocably Committed			\$ (9,335)	\$ (9,337)	\$ (9,338)	\$ (9,338)	\$ (9,339)	\$ (9,338)	\$ (9,333)
Planned Additional /1			(19,962)	(18,187)	(16,976)	(16,970)	(16,970)	(16,932)	(17,313)
Improvement Bonds			-	-	-	-	-	-	-
Total Debt Service /2			\$ (29,297)	\$ (27,525)	\$ (26,315)	\$ (26,307)	\$ (26,309)	\$ (26,270)	\$ (26,646)
Total Use			\$ (198,477)	\$ (98,275)	\$ (56,865)	\$ (63,807)	\$ (126,709)	\$ (37,770)	\$ (30,646)
PFC Fund Ending Balance /3 /4			\$ 51,088	\$ 26,186	\$ 43,672	\$ 55,239	\$ 4,843	\$ 44,361	\$ 92,099

Sources: Metropolitan Airports Commission and LeighFisher.

- Notes:
1. PFC receipts in addition to irrevocably committed amounts used or expected to be used for payment of debt service.
 2. Amount shown does not equate with the total debt service paid with PFCs shown on Exhibit C due to the timing difference between deposit of the funds and payment of the bonds.
 3. Held for payment of approved debt service or pay-as-you-go projects in future years.
 4. The Commission plans to utilize the \$75 million line of credit to temporarily fund any deficit in the PFC Fund until PFC receipts can reimburse such costs.

Exhibit E
Maintenance and Operation Expenses
Metropolitan Airports Commission
(for Fiscal Years ending December 31; in thousands)

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

	2014	Actual 2015	Budget 2016	Prelim. Budget 2017	Forecast 2018	2019	2020	2021	2022
MSP M&O Expenses									
Personnel:									
Salaries & Wages	\$ 47,207	\$ 48,708	\$ 51,568	\$ 54,292	\$ 56,192	\$ 58,159	\$ 60,194	\$ 62,301	\$ 64,482
Benefits/1	21,395	23,367	24,406	24,301	25,273	26,284	27,335	28,429	29,566
Total Personnel	\$ 68,602	\$ 72,075	\$ 75,974	\$ 78,593	\$ 81,465	\$ 84,443	\$ 87,530	\$ 90,730	\$ 94,048
Administrative Supplies & Expense	\$ 1,574	\$ 1,479	\$ 1,899	\$ 1,926	\$ 1,972	\$ 2,019	\$ 2,066	\$ 2,115	\$ 2,164
Professional Services	\$ 4,657	\$ 5,262	\$ 5,624	\$ 6,174	\$ 6,359	\$ 6,550	\$ 6,746	\$ 6,949	\$ 7,157
Utilities:									
Electricity	\$ 13,505	\$ 12,611	\$ 13,301	\$ 13,643	\$ 14,052	\$ 14,625	\$ 15,064	\$ 15,516	\$ 15,981
Heating Fuel	4,489	2,714	2,664	2,960	3,048	3,140	3,234	3,331	3,431
Other	2,328	2,514	2,766	2,732	2,814	2,899	2,986	3,075	3,167
Total Utilities	\$ 20,322	\$ 17,839	\$ 18,731	\$ 19,335	\$ 19,915	\$ 20,663	\$ 21,283	\$ 21,922	\$ 22,579
Operating Services:									
Service Agreements	\$ 5,945	\$ 6,101	\$ 9,978	\$ 10,707	\$ 11,028	\$ 11,359	\$ 11,700	\$ 12,051	\$ 12,412
Parking Management	5,999	6,163	6,566	6,694	6,853	7,701	7,882	8,067	8,256
Storm Water Monitoring	1,480	1,454	1,491	1,554	1,580	1,607	1,635	1,662	1,691
Shuttle Bus Services	833	1,651	1,923	2,016	2,064	2,113	2,163	2,214	2,265
Other	5,178	5,614	4,313	5,225	5,349	5,476	5,605	5,737	5,871
Total Operating Services	\$ 19,435	\$ 20,983	\$ 24,271	\$ 26,197	\$ 26,875	\$ 28,256	\$ 28,984	\$ 29,730	\$ 30,495
Maintenance Equipment, Services, and Supplies:									
Cleaning	\$ 11,412	\$ 12,422	\$ 14,929	\$ 15,904	\$ 16,381	\$ 16,872	\$ 17,378	\$ 17,900	\$ 18,437
Building	11,078	11,956	12,970	13,510	13,830	14,157	14,491	14,831	15,178
Equipment & Field	5,986	5,456	6,311	6,341	6,492	6,645	6,802	6,962	7,124
Trades	2,017	1,626	2,186	2,087	2,136	2,187	2,238	2,291	2,345
Total Maintenance	\$ 30,493	\$ 31,460	\$ 36,397	\$ 37,841	\$ 38,839	\$ 39,862	\$ 40,910	\$ 41,983	\$ 43,084
Other	\$ 2,990	\$ 3,127	\$ 3,846	\$ 3,867	\$ 3,959	\$ 4,053	\$ 4,148	\$ 4,246	\$ 4,345
Total MSP	\$ 148,072	\$ 152,224	\$ 166,743	\$ 173,934	\$ 179,385	\$ 185,845	\$ 191,668	\$ 197,675	\$ 203,872
Total Reliever Airports	\$ 6,025	\$ 5,946	\$ 6,986	\$ 6,838	\$ 7,105	\$ 7,382	\$ 7,670	\$ 7,969	\$ 8,280
Total Maintenance and Operation Expenses	\$ 154,097	\$ 158,170	\$ 173,728	\$ 180,772	\$ 186,490	\$ 193,227	\$ 199,338	\$ 205,644	\$ 212,152
Reconciliation to Audited Financial Statements									
Audited Operating Expenses	\$ 285,165	\$ 298,319							
GASB Pension Expense		(5,730)							
Depreciation	(131,068)	(134,419)							
Total Maintenance and Operation Expenses	\$ 154,097	\$ 158,170							

Sources: Metropolitan Airports Commission and LeighFisher.

Note: 1. Does not include GASB Pension Expense.

Exhibit F
Revenues
Metropolitan Airports Commission
(for Fiscal Years ending December 31; in thousands except rates)

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

	2014	Actual 2015	Budget 2016	Prelim. Budget 2017	Forecast 2018	2019	2020	2021	2022
MSP Revenues									
Airline Revenues									
Airline Agreement									
Landing Fees	\$ 56,791	\$ 56,924	\$ 61,407	\$ 63,808	\$ 65,402	\$ 68,006	\$ 69,636	\$ 72,108	\$ 74,180
Ramp Fees	7,213	7,132	7,592	7,557	7,788	8,058	8,304	8,558	8,820
Airline R&R	3,610	3,719	4,495	4,666	4,814	4,988	5,146	5,308	5,476
T1-Lindbergh - Rentals	37,456	36,797	38,310	38,521	38,608	40,719	40,815	44,604	45,497
T1-Lindbergh - Other	4,535	5,783	5,780	6,301	6,492	6,697	6,900	7,109	7,325
Concessions Rebate	(10,294)	(13,777)	(13,920)	(16,748)	(16,960)	(17,175)	(18,295)	(18,611)	(18,937)
Total Airline Agreement	\$ 99,311	\$ 96,577	\$ 103,665	\$ 104,106	\$ 106,144	\$ 111,292	\$ 112,505	\$ 119,077	\$ 122,362
T2-Humphrey - Lobby Fees	9,553	8,435	7,637	9,742	9,937	10,136	10,338	10,545	10,756
T2-Humphrey - Other / Passenger Fees	2,141	2,793	2,388	2,837	2,894	2,952	3,011	3,071	3,132
Total Airline Revenues	\$ 111,005	\$ 107,805	\$ 113,691	\$ 116,685	\$ 118,975	\$ 124,379	\$ 125,854	\$ 132,693	\$ 136,250
Nonairline Revenues									
Concession Revenues									
Terminal									
Food & Beverage	\$ 16,128	\$ 16,836	\$ 20,130	\$ 22,857	\$ 23,429	\$ 24,014	\$ 25,215	\$ 25,972	\$ 26,751
News	3,645	3,572	4,045	3,911	4,009	4,109	4,212	4,317	4,425
Retail Stores	4,600	4,619	5,349	6,150	6,150	6,150	6,458	6,619	6,784
Passenger Services	4,004	4,426	6,029	5,939	6,260	6,260	6,260	6,260	6,260
Subtotal Terminal	\$ 28,377	\$ 29,453	\$ 35,553	\$ 38,857	\$ 39,848	\$ 40,534	\$ 42,144	\$ 43,168	\$ 44,220
Parking/Ground Transport									
Parking	\$ 80,658	\$ 87,578	\$ 90,731	\$ 100,702	\$ 102,717	\$ 104,770	\$ 113,475	\$ 115,744	\$ 118,059
Ground Transportation	5,812	5,986	5,961	7,521	7,740	7,965	8,197	8,433	8,674
MSP Employee Parking	2,917	3,328	3,409	3,646	3,708	3,771	3,835	3,900	3,966
Auto Rental - On Airport	17,939	18,708	17,601	18,752	18,869	18,988	20,000	20,000	20,000
Subtotal Parking/Ground Transport	\$ 107,326	\$ 115,600	\$ 117,701	\$ 130,621	\$ 133,034	\$ 135,495	\$ 145,506	\$ 148,077	\$ 150,700
Other Concessions	\$ 741	\$ 1,840	\$ 2,108	\$ 2,068	\$ 2,155	\$ 2,334	\$ 2,612	\$ 2,981	\$ 3,453
Total Concession Revenues	\$ 136,445	\$ 146,893	\$ 155,362	\$ 171,546	\$ 175,037	\$ 178,363	\$ 190,262	\$ 194,225	\$ 198,373
Rentals & Fees									
Buildings & Facilities	\$ 7,264	\$ 8,506	\$ 9,228	\$ 9,376	\$ 9,564	\$ 9,755	\$ 9,950	\$ 10,149	\$ 10,352
Auto Rental CFC	11,377	11,913	21,000	21,339	21,595	21,852	22,110	22,367	22,623
Ground Rentals	8,409	8,728	9,133	10,092	10,563	11,043	11,533	12,033	12,543
Hotel Facility Charge (HFC)	-	-	-	-	1,045	1,093	1,153	1,193	1,238
Total Rentals & Fees	\$ 27,051	\$ 29,147	\$ 39,361	\$ 40,807	\$ 42,767	\$ 43,743	\$ 44,746	\$ 45,742	\$ 46,756

Exhibit F (page 2 of 2)

Revenues

Metropolitan Airports Commission

(for Fiscal Years ending December 31; in thousands except rates)

	2014	Actual 2015	Budget 2016	Prelim. Budget 2017	Forecast 2018	2019	2020	2021	2022
Utilities & Other Revenues									
Utilities	\$ 4,915	\$ 4,665	\$ 4,672	\$ 5,049	\$ 5,100	\$ 5,302	\$ 5,908	\$ 6,026	\$ 6,147
General Aviation/Airside Fees	3,244	3,799	3,369	3,937	4,016	4,096	4,178	4,261	4,347
Consortium Fees	3,204	3,306	3,349	3,812	3,888	3,966	4,144	4,261	4,380
Other Revenues	1,726	1,638	1,685	1,625	1,657	1,690	1,724	1,759	1,794
Reimbursed Expenses	<u>3,678</u>	<u>3,229</u>	<u>1,950</u>	<u>2,130</u>	<u>2,173</u>	<u>2,216</u>	<u>2,260</u>	<u>2,306</u>	<u>2,352</u>
Total Utilities & Other Revenue	\$ 16,768	\$ 16,637	\$ 15,025	\$ 16,553	\$ 16,834	\$ 17,270	\$ 18,215	\$ 18,612	\$ 19,019
Total Nonairline Revenues	\$ 180,263	\$ 192,677	\$ 209,748	\$ 228,906	\$ 234,638	\$ 239,376	\$ 253,224	\$ 258,579	\$ 264,147
Total MSP Revenues	\$ 291,268	\$ 300,483	\$ 323,438	\$ 345,590	\$ 353,612	\$ 363,755	\$ 379,078	\$ 391,272	\$ 400,397
Total Reliever Airports	\$ 7,067	\$ 6,939	\$ 6,914	\$ 7,303	\$ 7,449	\$ 7,598	\$ 7,750	\$ 7,905	\$ 8,063
Total Operating Revenues	\$ 298,335	\$ 307,422	\$ 330,353	\$ 352,894	\$ 361,062	\$ 371,353	\$ 386,828	\$ 399,177	\$ 408,460
Non-Operating Revenue									
Interest Income /1	\$ 4,801	\$ 5,451	\$ 5,538	\$ 5,850	\$ 5,186	\$ 4,985	\$ 4,768	\$ 4,551	\$ 3,857
Self-Liquidating Income /2	<u>5,452</u>	<u>6,306</u>	<u>4,444</u>	<u>4,654</u>	<u>4,902</u>	<u>5,167</u>	<u>5,384</u>	<u>5,342</u>	<u>4,175</u>
Total Non-Operating Revenues	\$ 10,253	\$ 11,757	\$ 9,982	\$ 10,504	\$ 10,089	\$ 10,153	\$ 10,153	\$ 9,893	\$ 8,033
Total Revenues	\$ 308,588	\$ 319,179	\$ 340,335	\$ 363,398	\$ 371,150	\$ 381,506	\$ 396,981	\$ 409,070	\$ 416,493
Airline Revenues as % of Total Revenues	36.0%	33.8%	33.4%	32.1%	32.1%	32.6%	31.7%	32.4%	32.7%

Sources: Metropolitan Airports Commission and LeighFisher.

- Notes: 1. Includes interest payments from self-liquidation lease agreements and other non-restricted interest earnings.
2. Reflects principal payments from self-liquidation lease agreements.

Exhibit F-1
Airline Cost Per Enplaned Passenger
Metropolitan Airports Commission
(for Fiscal Years ending December 31; in thousands except rates)

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

	2014	Actual 2015	Forecast 2016	2017	2018	2019	2020	2021	2022
Airline Payments									
Airline Revenue - Exhibit F	\$ 111,005	\$ 107,805	\$ 113,691	\$ 116,685	\$ 118,975	\$ 124,379	\$ 125,854	\$ 132,693	\$ 136,250
Self-Liquidating Lease Payments /1	2,132	3,751	2,158	2,158	2,158	2,158	2,158	2,158	2,158
Other Concourse G Charges /2	2,696	2,696	-	-	-	-	-	-	-
Total Airline Payments	\$ 115,834	\$ 114,253	\$ 115,849	\$ 118,843	\$ 121,133	\$ 126,537	\$ 128,012	\$ 134,851	\$ 138,408
Enplaned Passengers	17,008	17,734	18,250	18,550	18,800	19,050	19,300	19,550	19,800
Airline Cost per Enplanement	\$ 6.81	\$ 6.44	\$ 6.35	\$ 6.41	\$ 6.44	\$ 6.64	\$ 6.63	\$ 6.90	\$ 6.99

Sources: Metropolitan Airports Commission and LeighFisher.

- Note:
1. Includes self-liquidating lease payments for Concourse G, which are for terminal facilities, but does not include self-liquidating lease payments related to non-terminal facilities, such as hangars.
 2. Includes payments related to Concourse G Police, Fire, Admin; Steam and Chilled Water, and Janitorial services.

Exhibit G
Application of Revenues
Metropolitan Airports Commission
(for Fiscal Years ending December 31; in thousands)

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

	Forecast							
	2016	2017	2018	2019	2020	2021	2022	
Revenues								
Airline Revenues	\$ 113,691	\$ 116,685	\$ 118,975	\$ 124,379	\$ 125,854	\$ 132,693	\$ 136,250	
Nonairline Revenues	209,748	228,906	234,638	239,376	253,224	258,579	264,147	
Subtotal MSP Revenues	\$ 323,438	\$ 345,590	\$ 353,612	\$ 363,755	\$ 379,078	\$ 391,272	\$ 400,397	
Reliever Airports Revenues	6,914	7,303	7,449	7,598	7,750	7,905	8,063	
Non-Operating Revenue	9,982	10,504	10,089	10,153	10,153	9,893	8,033	
Total Revenues Available	\$ 340,335	\$ 363,398	\$ 371,150	\$ 381,506	\$ 396,981	\$ 409,070	\$ 416,493	
Application of Revenues								
M&O Expenses of the Airport System	\$ 173,728	\$ 180,772	\$ 186,490	\$ 193,227	\$ 199,338	\$ 205,644	\$ 212,152	
Annual Debt Service - G.O. Bonds	-	-	-	-	-	-	-	
Annual Debt Service - Senior Airport Revenue Bonds /1	49,184	39,391	45,837	51,374	51,369	57,662	54,246	
Senior Debt Service Reserve Fund	-	-	-	-	-	-	-	
Annual Debt Service - Subordinate Airport Revenue Obligations /2	44,406	51,196	62,180	66,820	60,631	71,462	74,854	
Subordinate Debt Service Reserve Fund	-	-	-	-	-	-	-	
M&O Reserve Account	5,029	3,522	2,859	3,369	3,055	3,153	3,254	
Commission Construction Fund								
Deposit to Airline R&R Account	20,909	21,537	22,183	22,848	23,534	24,240	24,967	
Purchases of Equipment /3	7,048	6,000	6,000	6,000	6,000	6,000	6,000	
Deposit to Fund Construction	40,030	60,980	45,601	37,867	53,054	40,909	41,020	
Deposit to Fund Coverage Account	-	-	-	-	-	-	-	
Total Application of Revenues	\$ 340,335	\$ 363,398	\$ 371,150	\$ 381,506	\$ 396,981	\$ 409,070	\$ 416,493	

Sources: Metropolitan Airports Commission and LeighFisher.

- Notes:
1. Annual Debt Service per Master Senior Indenture, which is net of amounts paid from PFC receipts.
 2. Annual Debt Service per Master Subordinate Indenture, which is net of amounts paid from PFC receipts.
 3. Represents payments associated with equipment financing, net of cash transfers.

Exhibit H
Master Senior Indenture Rate Covenant and Coverage
Metropolitan Airports Commission
(for Fiscal Years ending December 31; in thousands except coverage percentages)

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

		Forecast						
		2016	2017	2018	2019	2020	2021	2022
Net Revenues - Master Senior Indenture								
Revenues		\$ 340,335	\$ 363,398	\$ 371,150	\$ 381,506	\$ 396,981	\$ 409,070	\$ 416,493
M&O Expenses of the Airport System		<u>(173,728)</u>	<u>(180,772)</u>	<u>(186,490)</u>	<u>(193,227)</u>	<u>(199,338)</u>	<u>(205,644)</u>	<u>(212,152)</u>
Net Revenues	[A]	<u>\$ 166,606</u>	<u>\$ 182,626</u>	<u>\$ 184,660</u>	<u>\$ 188,279</u>	<u>\$ 197,643</u>	<u>\$ 203,426</u>	<u>\$ 204,341</u>
Rate Covenant Calculation - Master Senior Indenture								
Requirement Section 5.04(a)								
Net Revenues	[A]	\$ 166,606	\$ 182,626	\$ 184,660	\$ 188,279	\$ 197,643	\$ 203,426	\$ 204,341
Annual Debt Service- General Obligation Revenue Bonds	[B]	-	-	-	-	-	-	-
Annual Debt Service- Senior Airport Revenue Bonds /1	[C]	(49,184)	(39,391)	(45,837)	(51,374)	(51,369)	(57,662)	(54,246)
Required Deposits to Senior DSR Fund	[D]	-	-	-	-	-	-	-
Required Deposits to Subordinate Debt Service Funds /2	[E]	(44,406)	(51,196)	(62,180)	(66,820)	(60,631)	(71,462)	(74,854)
Required Deposits to Subordinate DSR Fund	[F]	-	-	-	-	-	-	-
Must Not Be Less Than Zero	=[A]-[B thru F]	<u>\$ 73,016</u>	<u>\$ 92,039</u>	<u>\$ 76,643</u>	<u>\$ 70,084</u>	<u>\$ 85,643</u>	<u>\$ 74,302</u>	<u>\$ 75,241</u>
Requirement Section 5.04(b)								
Net Revenues	[A]	\$ 166,606	\$ 182,626	\$ 184,660	\$ 188,279	\$ 197,643	\$ 203,426	\$ 204,341
Transfer	[G]=[C*25%]	<u>12,296</u>	<u>9,848</u>	<u>11,459</u>	<u>12,844</u>	<u>12,842</u>	<u>14,415</u>	<u>13,561</u>
Total Available	[H]=[A+G]	\$ 178,902	\$ 192,473	\$ 196,120	\$ 201,122	\$ 210,485	\$ 217,842	\$ 217,902
Senior Airport Revenue Bonds Debt Service Times 125%	[I]=[C*1.25]	<u>(61,480)</u>	<u>(49,238)</u>	<u>(57,296)</u>	<u>(64,218)</u>	<u>(64,211)</u>	<u>(72,077)</u>	<u>(67,807)</u>
Must Not Be Less Than Zero	=[H-I]	<u>\$ 117,422</u>	<u>\$ 143,235</u>	<u>\$ 138,823</u>	<u>\$ 136,904</u>	<u>\$ 146,274</u>	<u>\$ 145,764</u>	<u>\$ 150,095</u>
Pro Forma Coverage on Senior Lien Debt								
Total Available	[H]	\$ 178,902	\$ 192,473	\$ 196,120	\$ 201,122	\$ 210,485	\$ 217,842	\$ 217,902
Annual Debt Service per Master Senior Indenture	[J]=[B+C]	\$ 49,184	\$ 39,391	\$ 45,837	\$ 51,374	\$ 51,369	\$ 57,662	\$ 54,246
Coverage with Transfer	=[H/J]	364%	489%	428%	391%	410%	378%	402%
Coverage without Transfer	=[A/J]	339%	464%	403%	366%	385%	353%	377%

Sources: Metropolitan Airports Commission and LeighFisher.

- Notes: 1. Annual Debt Service per Master Senior Indenture, which is net of amounts paid from PFC receipts.
2. Deposits required from Net Revenues per Master Subordinate Indenture during Fiscal Year to provide for payment of debt service when due.

Exhibit H-1
Master Subordinate Indenture Rate Covenant and Coverage
Metropolitan Airports Commission
(for Fiscal Years ending December 31; in thousands except coverage percentages)

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

		Forecast						
		2016	2017	2018	2019	2020	2021	2022
Subordinate Revenues - Master Subordinate Indenture								
Revenues		\$ 340,335	\$ 363,398	\$ 371,150	\$ 381,506	\$ 396,981	\$ 409,070	\$ 416,493
M&O Expenses of the Airport System		(173,728)	(180,772)	(186,490)	(193,227)	(199,338)	(205,644)	(212,152)
Net Revenues	[A]	166,606	182,626	184,660	188,279	197,643	203,426	204,341
Annual Debt Service per Master Senior Indenture /1	[B]	(49,184)	(39,391)	(45,837)	(51,374)	(51,369)	(57,662)	(54,246)
Subordinate Revenues	[C]=[A-B]	\$ 117,422	\$ 143,235	\$ 138,823	\$ 136,904	\$ 146,274	\$ 145,764	\$ 150,095
Rate Covenant Calculation - Master Subordinate Indenture								
Requirement Section 5.04(a)								
Subordinate Revenues	[C]	\$ 117,422	\$ 143,235	\$ 138,823	\$ 136,904	\$ 146,274	\$ 145,764	\$ 150,095
Annual Debt Service per Master Subordinate Indenture /2	[D]	(42,756)	(47,916)	(49,703)	(66,101)	(66,051)	(59,925)	(70,424)
Required Deposits to Subordinate DSR Fund		-	-	-	-	-	-	-
Must Not Be Less Than Zero	= [C-D]	\$ 74,666	\$ 95,319	\$ 89,120	\$ 70,803	\$ 80,223	\$ 85,839	\$ 79,671
Requirement Section 5.04(b)								
Subordinate Revenues	[C]	\$ 117,422	\$ 143,235	\$ 138,823	\$ 136,904	\$ 146,274	\$ 145,764	\$ 150,095
Transfer	[E]	4,441	5,120	6,218	6,682	6,063	7,146	7,485
Total Available	[F]=[C+E]	\$ 121,863	\$ 148,354	\$ 145,041	\$ 143,586	\$ 152,337	\$ 152,911	\$ 157,580
Annual Debt Service Subordinate Airport Revenue Obligations Times 110% /2	[G]	(47,032)	(52,707)	(54,673)	(72,711)	(72,657)	(65,918)	(77,466)
Must Not Be Less Than Zero	= [F-G]	\$ 74,831	\$ 95,647	\$ 90,368	\$ 70,875	\$ 79,681	\$ 86,993	\$ 80,114
Pro Forma Coverage on Subordinate Airport Revenue Obligations								
Annual Debt Service per Master Subordinate Indenture /2	[H]	\$ 42,756	\$ 47,916	\$ 49,703	\$ 66,101	\$ 66,051	\$ 59,925	\$ 70,424
Coverage with Transfer	= [F/H]	285%	310%	292%	217%	231%	255%	224%
Coverage without Transfer	= [C/H]	275%	299%	279%	207%	221%	243%	213%
Pro Forma Coverage on Total Debt								
Total Available for Senior & Subordinate Debt /3	[I]	\$ 178,902	\$ 192,473	\$ 196,120	\$ 201,122	\$ 210,485	\$ 217,842	\$ 217,902
Annual Debt Service - Senior & Subordinate	[J]=[B+G/110%]	\$ 91,940	\$ 87,307	\$ 95,540	\$ 117,475	\$ 117,420	\$ 117,587	\$ 124,669
Coverage with Master Senior Indenture Transfer Amount	= [I]/[J]	195%	220%	205%	171%	179%	185%	175%
Coverage without Transfer	= [A/J]	181%	209%	193%	160%	168%	173%	164%

Sources: Metropolitan Airports Commission and LeighFisher.

- Notes:
1. Annual Debt Service per Master Senior Indenture, which is net of amounts paid from PFC receipts.
 2. Annual Debt Service per Master Subordinate Indenture, which is net of amounts paid from PFC receipts.
 3. Total Available for Senior & Subordinate Debt, see Exhibit H, Row H.

Exhibit I-1
Summary of Projected Financial Results
Metropolitan Airports Commission
(for Fiscal Years ending December 31; in thousands, except percentages and cost per enplanement)

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

	Forecast						
	2016	2017	2018	2019	2020	2021	2022
Enplaned Passengers	18,250	18,550	18,800	19,050	19,300	19,550	19,800
Revenues							
Airline Revenues	\$ 113,691	\$ 116,685	\$ 118,975	\$ 124,379	\$ 125,854	\$ 132,693	\$ 136,250
Nonairline Revenues	209,748	228,906	234,638	239,376	253,224	258,579	264,147
Subtotal MSP Revenues	\$ 323,438	\$ 345,590	\$ 353,612	\$ 363,755	\$ 379,078	\$ 391,272	\$ 400,397
Reliever Airports Revenues	6,914	7,303	7,449	7,598	7,750	7,905	8,063
Non-Operating Revenue	9,982	10,504	10,089	10,153	10,153	9,893	8,033
Total Revenues	\$ 340,335	\$ 363,398	\$ 371,150	\$ 381,506	\$ 396,981	\$ 409,070	\$ 416,493
M&O Expenses of the Airport System	(173,728)	(180,772)	(186,490)	(193,227)	(199,338)	(205,644)	(212,152)
Net Revenues	\$ 166,606	\$ 182,626	\$ 184,660	\$ 188,279	\$ 197,643	\$ 203,426	\$ 204,341
Airline Cost per Enplanement	\$ 6.35	\$ 6.41	\$ 6.44	\$ 6.64	\$ 6.63	\$ 6.90	\$ 6.99
Annual Debt Service							
Senior Airport Revenue Bonds /1	49,184	39,391	45,837	51,374	51,369	57,662	54,246
Subordinate Airport Revenue Obligations /2	44,406	51,196	62,180	66,820	60,631	71,462	74,854
Pro Forma Debt Service Coverage Ratios /3							
Senior Airport Revenue Bonds	339%	464%	403%	366%	385%	353%	377%
Subordinate Airport Revenue Obligations	275%	299%	279%	207%	221%	243%	213%
Aggregate Senior and Subordinate Airport Revenue Obligations	181%	209%	193%	160%	168%	173%	164%
Growth Rates (%)							
Enplaned Passengers	2.9%	1.6%	1.3%	1.3%	1.3%	1.3%	1.3%
Airline Revenues	5.5%	2.6%	2.0%	4.5%	1.2%	5.4%	2.7%
Nonairline Revenues	8.9%	9.1%	2.5%	2.0%	5.8%	2.1%	2.2%
Maintenance and Operation Expenses	9.8%	4.1%	3.2%	3.6%	3.2%	3.2%	3.2%
Airline Cost per Enplanement	-1.5%	0.9%	0.6%	3.1%	-0.1%	4.0%	1.3%

Source: LeighFisher.

- Notes:
1. Annual Debt Service per Master Senior Indenture, which is net of amounts paid from PFC receipts.
 2. Annual Debt Service per Master Subordinate Indenture, which is net of amounts paid from PFC receipts.
 3. Pro forma debt service coverage ratios do not include transfers.

Exhibit I-2
Summary of Stress Test Scenario Financial Results
Metropolitan Airports Commission
(for Fiscal Years ending December 31; in thousands, except percentages and cost per enplanement)

This scenario is based upon hypothetical assumptions as described in the text of this Report.
It is not intended to provide a forecast of expected results.

	Hypothetical						
	2016	2017	2018	2019	2020	2021	2022
Enplaned Passengers	18,250	18,550	15,040	15,290	15,540	15,790	16,040
Revenues							
Airline Revenues	\$ 113,691	\$ 116,685	\$ 121,204	\$ 126,577	\$ 127,209	\$ 134,082	\$ 137,675
Nonairline Revenues	209,748	228,906	211,169	215,769	230,506	235,643	240,988
Subtotal MSP Revenues	\$ 323,438	\$ 345,590	\$ 332,373	\$ 342,346	\$ 357,715	\$ 369,726	\$ 378,664
Reliever Airports Revenues	6,914	7,303	7,449	7,598	7,750	7,905	8,063
Non-Operating Revenue	9,982	10,504	10,089	10,153	10,153	9,893	8,033
Total Revenues	\$ 340,335	\$ 363,398	\$ 349,911	\$ 360,097	\$ 375,618	\$ 387,524	\$ 394,760
M&O Expenses of the Airport System	(173,728)	(180,772)	(182,267)	(188,901)	(194,974)	(201,242)	(207,711)
Net Revenues	\$ 166,606	\$ 182,626	\$ 167,644	\$ 171,196	\$ 180,644	\$ 186,282	\$ 187,049
Airline Cost per Enplanement	\$ 6.35	\$ 6.41	\$ 8.20	\$ 8.42	\$ 8.32	\$ 8.63	\$ 8.72
Annual Debt Service							
Senior Airport Revenue Bonds /1	49,184	39,391	45,837	51,374	51,369	57,662	54,246
Subordinate Airport Revenue Obligations /2	44,406	51,196	62,180	66,820	60,631	71,462	74,854
Pro Forma Debt Service Coverage Ratios /3							
Senior Airport Revenue Bonds	339%	464%	366%	333%	352%	323%	345%
Subordinate Airport Revenue Obligations	275%	299%	245%	181%	196%	215%	189%
Aggregate Senior and Subordinate Airport Revenue Obligations	181%	209%	175%	146%	154%	158%	150%
Growth Rates (%)							
Enplaned Passengers	2.9%	1.6%	-18.9%	1.7%	1.6%	1.6%	1.6%
Airline Revenues	5.5%	2.6%	3.9%	4.4%	0.5%	5.4%	2.7%
Nonairline Revenues	8.9%	9.1%	-7.7%	2.2%	6.8%	2.2%	2.3%
Maintenance and Operation Expenses	9.8%	4.1%	0.8%	3.6%	3.2%	3.2%	3.2%
Airline Cost per Enplanement	-1.5%	0.9%	28.0%	2.6%	-1.1%	3.6%	1.0%

Source: LeighFisher projections based on stress test scenario assumptions specified in the text of the Report.

- Notes:
1. Annual Debt Service per Master Senior Indenture, which is net of amounts paid from PFC receipts.
 2. Annual Debt Service per Master Subordinate Indenture, which is net of amounts paid from PFC receipts.
 3. Pro forma debt service coverage ratios do not include transfers.

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APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE
METROPOLITAN AIRPORTS COMMISSION FOR THE
FISCAL YEAR ENDED DECEMBER 31, 2015**

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**Minneapolis/St. Paul Metropolitan Airports
Commission**

Independent Auditor's Reports and Financial Statements
With Supplementary Information
December 31, 2015

Minneapolis/St. Paul Metropolitan Airports Commission

December 31, 2015

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Independent Auditor's Report

To the Members of the Board
Minneapolis/St. Paul Metropolitan Airports Commission
Minneapolis, Minnesota

We have audited the accompanying basic financial statements, which are comprised of the balance sheet as of December 31, 2015, and the related statements of revenues, expenses and changes in net position and of cash flows for the year then ended and the related notes to the basic financial statements, as listed in the table of contents, of Minneapolis/St. Paul Metropolitan Airports Commission (Commission).

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Minneapolis/St. Paul Metropolitan Airports Commission as of December 31, 2015, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note A to the financial statements, in 2015, the Commission adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

BKD, LLP

Indianapolis, Indiana
May 16, 2016

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Section

The following discussion and analysis of the financial performance and activity of the Minneapolis/St. Paul Metropolitan Airports Commission (Commission or MAC) is to provide an introduction and understanding of the basic financial statements of the Commission for the year ended December 31, 2015 with selected comparative information for the year ended December 31, 2014. This discussion has been prepared by management and should be read in conjunction with the audited financial statements and the notes thereto, which follow this section.

USING THE FINANCIAL STATEMENTS

The MAC's financial report includes three financial statements: the Balance Sheet, the Statement of Revenues, Expenses and Changes in Net Position and the Statement of Cash Flows. The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB).

FINANCIAL HIGHLIGHTS

Adoption of GASB 68

In 2015, the Commission adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* (GASB 68). 2014 financial information has not been restated for the adoption of GASB 68.

General

The Commission has entered into, and receives payment under, agreements with various air carriers and other parties, including the airline lease agreements relating to landing fees and the leasing of space in terminal buildings, other building leases regarding the leasing of cargo and miscellaneous hangar facilities, concession agreements relating to sale of goods and services at the airport and specific project leases relating to the construction of buildings and facilities for specific tenants. Below is a brief description of each agreement along with the revenue generated in 2015.

Airline Lease Agreements

The airline lease agreements relate to the use of the airport for air carrier operations, the leasing of space within the terminal buildings of the airport, ramp fees for parking aircraft at the Lindbergh Terminal and the establishment of landing fees. Except for rental amounts based primarily upon the square feet rented, the terms, conditions and provisions of each airline lease agreement are substantially the same.

In the airline lease agreements, the Commission has leased to each particular air carrier a certain specified square footage portion of the terminal area in the airport. Annual rents are computed on the basis of various charges per square foot for various types of space within the existing terminal area and, in certain cases, the costs of certain improvements of the existing terminal area. The airline lease agreements also provide that each air carrier is required to pay a basic landing fee. The landing fee is calculated by dividing the cost of operations, maintenance and debt service at the airfield by total landed weight of aircraft utilizing the airport. The airline lease agreements also require each air carrier leasing gate space at Lindbergh Terminal (Terminal 1) to pay an aircraft parking ramp fee that is computed on a lineal foot basis. The ramp fee includes the cost of operations, maintenance and debt service to the ramp area surrounding the terminal building gates.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Section

The airline lease agreement also provides that food and beverage, merchandise and auto-rental annual gross concession revenues to the Commission ("Selected Concession Revenues") will be shared with the Passenger Signatory Airlines (allocated among the Passenger Signatory Airlines based upon their proportionate share of enplanements at the Airport for the applicable fiscal year) under the following schedule (the "Shared Concession Revenues"):

Selected Concession Revenues	Percent Shared with Passenger Signatory Airlines
Greater than \$46,746,424	25% up to \$46,746,424 and 50% for amounts above \$46,746,424
\$36,181,443 to \$46,746,424	25%
\$34,734,185 to \$36,181,442	20%
\$33,286,928 to \$34,734,184	15%
\$31,839,670 to \$33,286,927	10%
\$30,392,413 to \$31,839,669	5%

The Passenger Signatory Airlines are also entitled to Supplemental Revenue Sharing equal to an additional 25% of Selected Concession Revenues above \$30,000,000 but below \$46,746,425 if enplaned passengers exceed 17,028,500. Selected Concession Revenues were \$42,553,811 and enplaned passengers exceeded 17,028,500 for fiscal year 2015, resulting in total Shared Concession Revenue of \$13,776,906 of which \$3,138,452 was Supplemental Revenue Sharing. The Selected Concession Revenues thresholds are subject to change annually.

The total amount of Shared Concession Revenues will be structured as a credit against the rates and charges in the current year, payable to the Passenger Signatory Airlines in the subsequent fiscal year. Notwithstanding the above schedule, the amount of Shared Selected Concession Revenues will be reduced to the extent necessary so that Net Revenues, after subtracting the Shared Concession Revenues, will not be less than 1.25 times the total annual debt service on Senior Bonds, Subordinate Obligations, and other debt obligations of the Commission. In the event that the Shared Concession Revenues are reduced in any year, such reduction will be deferred until the next fiscal year and will be credited against the rates and charges payable by the Passenger Signatory Airlines in the next fiscal year to the extent that Net Revenues, after subtracting the applicable Shared Concession Revenues, are not less than 1.25 times the total annual debt service on Senior Bonds, Subordinate Obligations, and other debt obligations of the Commission.

For the year ended December 31, 2015, the aggregate rentals earned by the Commission pursuant to the airline lease agreements were approximately \$95,987,000. The annual rentals due under each lease may be adjusted each year to reflect actual costs of the airport.

Other Building and Miscellaneous Leases

The other building and miscellaneous leases relate to rentals and other fees associated with the Hubert H. Humphrey Terminal (Terminal 2), miscellaneous hangar facilities, and office rentals for non-airline tenants in Terminal 1. For the year ended December 31, 2015, the aggregate annual rentals under these leases were approximately \$28,134,000.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Section

Specific Project Leases

The Commission has constructed various buildings and facilities for specific tenants. If bonds were issued by the Commission to finance the construction of a facility, the lessee is required to pay annual lease payments equal to the debt service requirements on the bonds issued to construct the facility, due in the following year. The lease remains in effect until the total debt service on the bonds has been paid. If, on the other hand, the construction of a facility is financed from funds the Commission has on hand, the lessee is required to make lease payments equal to the debt service requirements, which would have been required, if bond funds were used.

For the year ended December 31, 2015, the aggregate lease rentals paid to the Commission under specific project leases was approximately \$10,227,000.

Concession Agreements

The Commission has entered into concession agreements with various firms to operate concessions inside the terminal building at the airport including, among others, food and beverage services, newsstands, advertising, amusements/games, insurance, personal service shops, and telephones. For the year ended December 31, 2015, the aggregate fees earned by the Commission under the existing concession agreements were approximately \$29,705,000. Such fees are computed on the basis of different percentages of gross sales for the various types of concessions, with the larger concessions guaranteeing a minimum payment each year.

Concession agreements for rental car agencies require such concessionaires to pay fees based on a percentage of their gross revenues and special charges such as parking fees and a per-square-foot land rental. The Commission also has a management contract with a firm for the operation of the airport parking lot and garage facilities. For the year ended December 31, 2015, the aggregate fees earned by the Commission under the existing rental car agreements and parking lot and garage facilities were approximately \$118,976,000. Of this amount, parking revenue was approximately \$87,578,000. Auto rental revenue for both on and off airport auto rentals for December 31, 2015 was approximately \$31,399,000.

Reliever Airports

The Commission has entered into various other leases and agreements with tenants at its reliever airport system. These reliever airport tenant leases include fuel flowage fees, hangar rentals, storage lots, commercial fees and other miscellaneous amounts. For the year ended December 31, 2015, revenues from these agreements were approximately \$6,939,000.

Miscellaneous Off-Airport Concession Leases and Ground Transportation Fees

The Commission has entered into certain leases with off-airport concessionaires that provide off-airport advertising and auto services. Additionally, the Commission charges fees for employee parking, permits and licenses to operate shuttles, vans, buses and taxis at the airport. Such fees are set by Commission ordinances. For the year ended December 31, 2015, the Commission earned \$10,124,000.

Utilities

The Commission has entered into certain leases with tenants the provide utilities to the leased spaces throughout the terminal. For the year ended December 31, 2015, the revenues from these utility charges were approximately \$4,665,000.

Miscellaneous Revenues

In addition to the above agreements, the Commission enters into various other leases and agreements. These include ground space rentals, office rentals for commuter airlines and concessionaires, commuter and general aviation fees, and other miscellaneous amounts. For the year ended December 31, 2015, the revenues from these agreements were approximately \$12,891,000.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Section

Operating Revenues

Operating revenues for the MAC are derived entirely from user fees that are established for various services and facilities that are provided at Commission airports. While the Commission has the power to levy taxes to support its operations, it has adopted policies to provide adequate revenues for the system to operate since 1969 without general tax support. Revenue sources have been grouped into the following categories in the Statements of Revenues, Expenses and Changes in Net Position:

Airline Rates & Charges	- Revenue from landing and ramp fees and terminal building rates
Concessions	- Revenue from food and beverage sales, merchandise sales, auto parking, etc.
Other Revenues:	
Rentals/fees	- Fees for building rentals
Utilities and other revenues	- Charges for tenants use of ground power, water and sewer, and other services provided by the MAC

For the fiscal year ended December 31, 2015, the top ten operating revenue sources for the MAC were as follows:

Top Ten Operating Revenue Sources:

Source	2015 Revenue
1. Parking	\$ 87,577,975
2. Landing fees	57,903,940
3. General Building R&R	40,515,468
4. Auto rental (off- and on-airport)	31,398,611 *
5. Other Building Rent	22,936,457
6. Food & Beverage	16,836,419
7. Ground Rent	8,728,095
8. News and Retail Stores	8,191,087
9. Ramp Fees	7,131,715
10. Ground transportation fees	5,207,766

*Excludes customer facility charges.

The top ten revenue providers for 2015 for the MAC were as follows:

Top Ten Operating Revenue Providers

1. Delta Airlines
2. HMS Host
3. Enterprise
4. Hertz
5. Sun Country
6. Avis
7. World Duty Free Group
8. American Airlines
9. Southwest Airlines
10. United Airlines

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Section

Statements of Revenues, Expenses and Changes in Net Position

During 2015, the MAC's total revenues and capital contributions increased by 6.4% to \$402,478,000 from \$378,298,000 in 2014. Changes in major categories follow (dollars in thousands):

	2015 Total		% of 2014 Total		Change		% of Dollar Percent	
Operating revenues								
Airline rates and charges	\$ 107,805	26.8%	\$ 111,005	29.3%	\$ (3,200)	-2.9%		
Concessions	146,893	36.6%	136,445	36.2%	10,448	7.7%		
Rentals/fees	36,086	9.0%	34,117	9.0%	1,969	5.8%		
Utilities and other revenues	16,637	4.1%	16,768	4.4%	(131)	-0.8%		
Total operating revenues	<u>307,421</u>		<u>298,335</u>		<u>9,086</u>			
Nonoperating revenues								
Investment income	9,241	2.3%	8,746	2.3%	495	5.7%		
Solar panel financing rebate	599	0.1%	-	0.0%	599	100.0%		
Gain on sale of assets/other	60	0.0%	(16,387)	-4.3%	16,447	-100.4%		
Passenger facility charges (PFC)	70,471	17.5%	67,106	17.7%	3,365	5.0%		
Total nonoperating revenues	<u>80,371</u>		<u>59,465</u>		<u>20,906</u>			
Capital contributions and grants	<u>14,686</u>	3.6%	<u>20,498</u>	5.4%	<u>(5,812)</u>	-28.4%		
Total revenues and capital contributions	<u>\$ 402,478</u>	100.0%	<u>\$ 378,298</u>	100.0%	<u>\$ 24,180</u>	6.4%		

Airline rates and charges decreased \$3,200,000 or 2.9% from 2014 levels. A majority of the revenue derived from the airline rates and charges category is based on the amount of expenses incurred in certain cost centers. During 2015 and 2014, the MAC experienced a below average amount of snow and, as a result, snow removal expenses were lower. In addition, there was an increase in the amount of concessions shared with the airlines.

Concessions increased by 7.7% or \$10,448,000. The majority of the increase is in the public parking category. An increase in parking rates as of January 1, 2015, along with a longer length of stay accounted for approximately \$6.9 million of the increase in the concessions category. The remaining increase was in the Food & Beverage, Auto Rental, and Outdoor Advertising categories. Food and Beverage increases (approximately \$720,000) can be attributed to passenger growth and increase spending on a per passenger basis. Auto Rental revenue increases (approximately \$770,000) was primarily related to passenger growth. Outdoor advertising increased \$980,000 due to a full years' revenue on the outdoor advertising contract.

Rental fees increased by \$1,969,000 or 5.8%. This is primarily a result of higher auto rental customer facility charge (CFC) revenue due to increased activity in 2015 and higher terminal building rental rates for non-airline tenants.

Investment income increased \$495,000 or 5.7% due to higher interest rates.

The Commission received a \$599,000 financing credit related to the installation of solar panels on top of the public parking ramps at Terminal 1.

The gain on sale of assets decreased by \$16,447,000 due to the sale of a parcel of land that the Commission acquired during the construction of runway 17-35 in 2014.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Section

Capital contributions and grants represent grants received from both federal and state governments for various construction projects at both MSP and the reliever airports. The decrease in 2015 comes primarily from a decrease in federal grants for baggage screening projects.

Expenses

In 2015, the MAC's total expenses increased by 0.9% to \$355,933,000 from \$352,899,000 in 2014. Changes in major categories are summarized below (dollars in thousands):

	2015		2014		Change	
	Total	% of Total	Total	% of Total	Dollar	Percent
Operating expenses						
Personnel	\$ 81,728	23.0%	\$ 72,358	20.5%	\$ 9,370	12.9%
Administrative	1,521	0.4%	1,610	0.5%	(89)	-5.5%
Professional services	5,574	1.6%	4,972	1.4%	602	12.1%
Utilities	18,304	5.1%	20,873	5.9%	(2,569)	-12.3%
Operating services	21,230	5.9%	19,583	5.6%	1,647	8.4%
Maintenance	32,089	9.0%	31,377	8.9%	712	2.3%
Depreciation and amortization	134,419	37.8%	131,069	37.1%	3,350	2.6%
Other	3,454	1.0%	3,323	0.9%	131	3.9%
Operating expenses	<u>298,319</u>		<u>285,165</u>		<u>13,154</u>	
Nonoperating expenses						
Interest expense	57,614	16.2%	67,734	19.2%	(10,120)	-14.9%
Total nonoperating expenses	<u>57,614</u>		<u>67,734</u>		<u>(10,120)</u>	
Total expenses	<u>\$ 355,933</u>	100.0%	<u>\$ 352,899</u>	100.0%	<u>\$ 3,034</u>	0.9%

Personnel increased by 12.9% or \$9,370,000. The majority of the increase is related to the implementation of GASB 68, which resulted in a significant pension expense adjustment in 2015. The remaining increase is due to annual wage adjustments and new employees, partially offset by a decrease in overtime due to a lighter snow season.

Professional services increased by 12.1% or \$602,000 primarily due to an increase in information technology projects and project costs that were expensed due to the project becoming inactive or will not be completed.

Utilities decreased \$2,569,000 or 12.3% due to less natural gas and heating fuel consumption from a milder winter than the previous year. During 2015, the lighting fixtures in the parking ramps at Terminal 1 were changed to more energy efficient lights and the Commission received a credit rate adjustment from the utility company.

Operating services increased \$1,647,000 or 8.4% due to the addition of an existing parking ramp being converted to public parking for which the Commission provides shuttle service from the ramp to Terminal 1.

Maintenance increased \$712,000 or 2.3%. The increase is attributable to increased focus on cleanliness throughout the Terminal buildings resulting in higher cleaning costs along with the Commission now maintaining the baggage handling system. This was offset by lower snow removal expenses due to a below average winter snowfall in 2015.

Depreciation increased \$3,350,000 or 2.6%. The increase is attributable to new projects placed into service during 2014-2015.

Other expenses increased \$131,000 or 3.9% due to an increase in general insurance claims and premiums.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Section

Net Revenues

In order to promote and encourage the efficient use of facilities at all of the MAC's airports, as well as minimize the environmental impact of MSP on the surrounding community, the MAC has implemented a policy of subsidizing its reliever airports to encourage the use of these facilities rather than MSP. In order to maintain this subsidy, the MAC sets its rates and charges to assure that total system revenues will be sufficient to pay total system expenses.

Net revenues generated by the Commission are designated for construction and debt service payments. These net revenues provide the Commission with a portion of the money to meet the funding requirements of its capital improvement program. This reduces the need to issue bonds and, therefore, allows the Commission to avoid the interest expense of additional debt.

Following is a summary of the Statements of Revenues, Expenses and Changes in Net Position:

(in thousands)

	2015		2014	
Operating revenues	\$	307,421	\$	298,335
Operating expenses		(298,319)		(285,165)
Operating income		9,102		13,170
Nonoperating revenues		80,371		59,465
Nonoperating expenses		(57,614)		(67,734)
Capital contributions and grants		14,686		20,498
Increase in net position	\$	46,545	\$	25,399

The Commission shows an increase in the total change in its net position in 2015 from 2014. This is primarily a result of the decrease in interest expense due to previous bond refundings and a prior year loss on the sale of a parcel of land. This was partially offset by a decrease in capital contributions and grants.

Occasionally, the Commission shows an operating loss as a result of its methodology of assessing airline rates and charges and the reporting requirements for Passenger Facility Charges (PFCs). For its airline rates and charges model, the Commission uses debt service instead of depreciation as a basis of recovering capital costs. Therefore, projects constructed with internally generated funds are not recoverable under the airline agreement. Further contributing to operating losses is the accounting treatment of PFCs and federal and state grants. The Commission cannot charge the users of the airport for any of its capital costs that were funded by PFCs and/or capital contributions. Therefore, under operating expenses the full cost of the capital project is depreciated over its useful life; however, the corresponding revenue from that particular project shows below the operating loss line item as a nonoperating revenue (PFCs) item or a capital contribution (federal and state grants).

We believe we are well positioned to increase the long-term financial stability and air service competitiveness of MSP. In addition, our 10-year history of airline rates and charges is very competitive and, as one of the few airports with an AA- rating from both Fitch Investor Services and Standard & Poor's, we feel we are positioned well for growth in the future.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Section

BALANCE SHEETS

The Balance Sheets present the net position of the MAC at the end of the fiscal year. Net position is equal to total assets plus deferred outflows of resources less total liabilities less deferred inflows of resources and is an indicator of the current financial health of the MAC. Summarized balance sheet information at December 31, 2015 and 2014 follows (in thousands):

	December 31,	
	2015	2014
Assets		
Current assets - unrestricted	\$ 425,019	\$ 398,216
Restricted assets - current	89,599	78,210
Noncurrent assets:		
Other noncurrent assets	438,751	422,287
Capital assets - net	<u>2,432,036</u>	<u>2,415,726</u>
Total assets	<u>3,385,405</u>	<u>3,314,439</u>
Deferred Outflows of Resources	<u>53,092</u>	<u>29,550</u>
Total assets and deferred outflows of resources	<u>\$ 3,438,497</u>	<u>\$ 3,343,989</u>
Liabilities		
Current liabilities - unrestricted	\$ 77,125	\$ 54,334
Payable from restricted current assets	97,157	81,194
Noncurrent liabilities:		
Bonds payable	1,305,023	1,369,628
Other noncurrent liabilities	<u>219,783</u>	<u>109,594</u>
Total liabilities	<u>1,699,088</u>	<u>1,614,750</u>
Deferred Inflows of Resources	<u>22,635</u>	<u>9,891</u>
Total liabilities and deferred inflows of resources	<u>1,721,723</u>	<u>1,624,641</u>
Net Position		
Net investment in capital assets	1,163,545	1,152,189
Restricted	299,192	281,204
Unrestricted	<u>254,037</u>	<u>285,955</u>
Total net position	<u>1,716,774</u>	<u>1,719,348</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,438,497</u>	<u>\$ 3,343,989</u>

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Section

The increase in total assets is primarily due to the increase in deferred outflow of resources related to the Commission's pension plans. Overall, the majority of the decrease in net position from 2014 to 2015 is due to the implementation of GASB 68, which resulted in a significant adjustment to the 2015 net position, offset by an increase in operating income and a reduction in interest expense.

CASH AND INVESTMENT MANAGEMENT

The following summary shows the major sources and uses of cash (in thousands):

	<u>2015</u> <u>2014</u>	
Cash provided by operating activities	\$ 305,770	\$ 300,270
Cash used in operating activities	(142,740)	(153,501)
Net cash provided by operating activities	163,030	146,769
Net cash used in capital and related financing activities	(112,603)	(125,347)
Net cash used in investing activities	(53,425)	(24,757)
Net decrease in cash and cash equivalents	(2,998)	(3,335)
Cash and cash equivalents, beginning of year	9,156	12,491
Cash and cash equivalents, end of year	<u>\$ 6,158</u>	<u>\$ 9,156</u>

Cash temporarily idle during the year is invested according to legal requirements established by the Legislature of the State of Minnesota. In accordance with state law, investments are generally restricted to various United States government securities, mutual funds, state and local obligations, commercial paper and repurchase agreements. With the exclusion of postemployment medical investments which must mature within ten years from the date of purchase, all other securities must mature within four years from the date of purchase. During 2015, the MAC's average portfolio balance was \$812,490,000 and total investment earnings were \$5,074,000 for an average yield on investments during the year of 0.63%. This compares to an average portfolio balance of \$764,527,000; investment earnings of \$4,954,000 and average yield of 0.65% in fiscal year 2014.

The Commission currently has a policy of keeping a six-month working capital reserve in its operating fund. At the end of 2015, the Commission has in its operating fund approximately \$52 million over and above its 2015 six-month working capital requirement. The Commission is currently considering how to apply or use some or all of these excess-operating funds.

CAPITAL CONSTRUCTION

During 2015, the Commission expended \$136,000,000 on its on-going capital improvement program. Approximately \$9,000,000 was associated with various airfield and runway projects. Approximately \$59,000,000 was related to Terminal 1-Lindbergh projects. Projects at Terminal 1-Lindbergh include checkpoint consolidation, restroom rehabilitations as well as modular cooling tower project. Approximately \$49,000,000 was spent on various Terminal 2-Humphrey projects, landside/parking and miscellaneous building projects with the largest projects being the installation of solar panels on top of the parking ramps at Terminal 1-Lindbergh, site preparation for a new parking ramp at Terminal 1-Lindbergh, a checked baggage inspection system and the start of three additional gates at Terminal 2-Humphrey. Approximately \$3,000,000 was spent on the Commission's reliever airport system. The remaining \$16,000,000 was spent for equipment purchases and various technology and miscellaneous improvements. Average monthly capital spending in 2015 was approximately \$11,300,000

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Section

During 2014, the Commission expended \$107,000,000 on its on-going capital improvement program. Approximately \$6,000,000 was associated with various airfield and runway projects. Approximately \$55,000,000 was related to Terminal 1-Lindbergh projects. Projects at Terminal 1-Lindbergh include expansion of the customs hold area and baggage handling system, checkpoint consolidation, restroom rehabilitations as well as a checked baggage screening system project. Approximately \$31,000,000 was spent on various Terminal 2-Humphrey projects, landside/parking and miscellaneous building projects with the largest projects being a baggage handling system at Terminal 2-Humphrey and rental car facility. Approximately \$1,300,000 was spent on the Commission's ongoing residential sound insulation program. Approximately \$3,000,000 was spent on the Commission's reliever airport system. The remaining \$11,000,000 was spent for equipment purchases and various technology and miscellaneous improvements. Average monthly capital spending in 2014 was approximately \$8,000,000.

Further information can be found in Note E.

CAPITAL FINANCING AND DEBT MANAGEMENT

The MAC has issued three forms of indebtedness: Notes Payable, General Airport Revenue Bonds and General Obligation Revenue Bonds. General Obligation Revenue Bonds are backed by Commission revenues and the authority to levy any required taxes on the assessed valuation of the seven county Metropolitan Area. General Airport Revenue Bonds are not backed by the MAC's taxing authority.

The MAC is required by law to maintain Debt Service funds sufficient to bring the balance on hand in the Debt Service Account on October 10th of each year to an amount equal to all principal and interest to become due on all General Obligation Revenue Bonds (GORB) payable from October 10th to the end of the second following year. As of January 1, 2015, the Commission retired all of its outstanding General Obligation Revenue Bonds.

Statutory authority for issuing bonds is obtained from the Minnesota State Legislature. Authorization as of December 31, 2015, permits the issuance of an additional \$55,000,000 of General Obligation Revenue Bonds.

On October 8, 2014, the Commission issued two new series of General Airport Revenue Bonds. The series labeled 2014 Series A and 2014 Series B General Airport Revenue Bonds were issued for \$217,790,000 and \$46,590,000, respectively. The proceeds are being used to current refund and defease \$319,715,000 of the remaining principal outstanding of the Series 2005A, Series 2005B and Series 2005C General Airport Revenue Bonds, which were called on January 1, 2015.

The MAC is financing its construction program through a combination of the MAC's revenues, entitlement and discretionary grants received from the FAA, state grants, PFCs and revenue bonds. Long-term debt is the principal source of funding of the capital improvement program. The MAC, through its Master Indenture, has covenanted to maintain a debt service coverage ratio of 1.25. Debt service coverage is calculated based on a formula included in the Master Indenture and the airport use agreement.

The Commission has irrevocably committed a portion of PFCs it receives to the payment and funding of debt service on Senior Bonds and/or Subordinate Obligations issued to finance projects authorized to be financed with PFCs (collectively, the "PFC Eligible Bonds") through December 31, 2030.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Section

Pursuant to the PFC Resolution, the Commission has irrevocably committed the following amounts of PFCs in the following Fiscal Years:

Irrevocably Committed PFCs

<u>Fiscal Year</u>	<u>Irrevocably Committed PFCs</u>	<u>Fiscal Year</u>	<u>Irrevocably Committed PFCs</u>
2015	9,336,513	2023	9,333,150
2016	9,335,238	2024	9,333,400
2017	9,337,150	2025	9,337,650
2018	9,338,400	2026	9,334,900
2019	9,337,650	2027	9,334,650
2020	9,339,400	2028	9,465,900
2021	9,337,900	2029	9,467,625
2022	9,332,650	2030	9,462,475

If the Commission does not use the full amount of the irrevocably committed PFCs to pay debt service on PFC Eligible Bonds in a Fiscal Year (i.e., there is more irrevocably committed PFCs than there is debt service due on PFC Eligible Bonds in such Fiscal Year), any unused portion of the irrevocable commitment for such Fiscal Year is not required to be carried over for use in future Fiscal Years.

In addition to the PFCs irrevocably committed pursuant to the PFC Resolution, the Commission can, at its sole discretion, use excess PFCs to pay additional debt service on PFC Eligible Bonds. The Commission currently expects to utilize all of the irrevocably committed PFCs and a portion of the remaining PFCs to pay the debt service on the PFC Eligible Bonds.

For further information on capital financing activity see Notes F, G and H.

CONTACTING THE MAC'S FINANCIAL MANAGEMENT

This financial report is designed to provide the MAC's Commissioners, management, investors, creditors and customers with a general view of the MAC's finances and to demonstrate the MAC's accountability for the funds it receives and expends. For further information about this report, or if you need additional financial information, please contact Director of Finance, 6040 28th Avenue South, Minneapolis, MN 55450 or access the Commission's website – <https://metroairports.org/Airport-Authority/Metropolitan-Airports-Commission/Administration/Financials.aspx>.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Financial Section

BALANCE SHEET

(Dollars in Thousands)

	December 31, 2015
	<u>2015</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	
Current Assets:	
Cash and cash equivalents	\$ 6,158
Investments	376,879
Accounts receivable, net of allowances for uncollectibles of \$255	12,138
Receivable - government grants in aid of construction	23,813
Leases receivable	2,361
Other	3,670
Restricted assets:	
Investments	78,844
Leases receivable	2,215
Passenger facility charge receivable	8,540
Total current assets	<u>514,618</u>
Noncurrent Assets:	
Investments, restricted	388,100
Leases receivable, unrestricted	20,349
Leases receivable, restricted	18,527
Derivative instruments - forward delivery agreements	9,849
Other	1,926
Capital assets:	
Land	363,824
Airport improvements and buildings	3,863,710
Moveable equipment	156,112
Construction in progress	140,092
Less accumulated depreciation	<u>(2,091,702)</u>
Total capital assets (net of accumulated depreciation)	<u>2,432,036</u>
Total noncurrent assets	<u>2,870,787</u>
Total assets	<u>3,385,405</u>
Deferred Outflows of Resources	<u>53,092</u>
 TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	 <u>\$ 3,438,497</u>

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Financial Section

BALANCE SHEET

(Dollars in Thousands)

	<u>December 31, 2015</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	
Current Liabilities:	
Accounts payable	\$ 48,382
Accounts payable due to airlines	17,601
Current portion of notes payable	3,426
Employee compensation, payroll taxes and other	7,716
Payable from restricted current assets:	
Current portion of bond payable	57,010
Construction and other	7,297
Unearned revenue	1,362
Interest payable	31,488
Total current liabilities	<u>174,282</u>
Noncurrent Liabilities:	
Employee compensation, payroll taxes and other	2,274
Unearned revenue, restricted	1,027
Notes payable	87,431
Postemployment medical	60,623
Bonds payable	1,305,023
Net pension liability	68,428
Total noncurrent liabilities	<u>1,524,806</u>
Total liabilities	1,699,088
Deferred Inflows of Resources	<u>22,635</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	<u>1,721,723</u>
NET POSITION	
Net investment in capital assets	1,163,545
Restricted	
Debt service	115,352
Construction	182,751
Police/911 emergency communications	1,089
Unrestricted	254,037
TOTAL NET POSITION	<u>1,716,774</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 3,438,497</u>

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Financial Section

STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

(Dollars in Thousands)

	Fiscal Year Ended December 31, 2015
OPERATING REVENUES	
Airline rates and charges	\$ 107,805
Concessions	146,893
Rentals/fees	36,086
Utilities and other revenues	16,637
TOTAL OPERATING REVENUES	307,421
OPERATING EXPENSES	
Personnel	81,728
Administrative	1,521
Professional services	5,574
Utilities	18,304
Operating services	21,230
Maintenance	32,089
Depreciation and amortization	134,419
Other	3,454
TOTAL OPERATING EXPENSES	298,319
OPERATING INCOME	9,102
NONOPERATING REVENUES (EXPENSES)	
Investment income	9,241
Federal interest rate subsidies	599
Passenger facility charges	70,471
Gain on disposal of assets	60
Interest expense	(57,614)
TOTAL NONOPERATING REVENUES (EXPENSES)	22,757
INCOME BEFORE CAPITAL CONTRIBUTIONS AND GRANTS	31,859
Capital Contributions and Grants	14,686
CHANGE IN NET POSITION	46,545
NET POSITION, BEGINNING OF YEAR, AS PREVIOUSLY REPORTED	1,719,348
CHANGE IN ACCOUNTING PRINCIPLE - SEE NOTE A	(49,119)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	1,670,229
NET POSITION, END OF YEAR	\$ 1,716,774

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

Financial Section

STATEMENT OF CASH FLOWS

(Dollars in Thousands)

	Fiscal Year Ended December 31, 2015
Cash received from customers and users	\$ 305,770
Cash paid to employees and benefit providers	(72,653)
Cash paid to suppliers	(70,087)
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	163,030
Payments for airport improvements and facilities	(139,057)
Proceeds from sale of capital assets	41
Proceeds from bond/note issuance	43,148
Receipt of lease payments	5,827
Receipt of solar panel financing rebate	599
Receipt of passenger facility charges	70,054
Principal paid on bonds/notes	(49,330)
Interest paid on bonds/notes	(59,477)
Receipt of government grants	15,592
NET CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(112,603)
Purchase of investment securities	(777,805)
Proceeds from maturities of investment securities	708,906
Investment income	15,474
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(53,425)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,998)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	9,156
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,158
Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities:	
Operating income	\$ 9,102
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	134,419
Pension expense in excess of contributions made	5,616
Changes in assets and liabilities:	
Accounts receivable	(1,651)
Other assets	400
Accounts payable and accrued expenses	11,685
Postretirement medical	2,627
Employee compensation and payroll taxes	832
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ 163,030
Noncash investing, capital and related financing activities:	
Changes in fair value of investments	\$ (6,233)
Additions to capital assets included in construction and accounts payable	30,115

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal year ended December 31, 2015

NOTE A: NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Minneapolis/St. Paul Metropolitan Airports Commission (the Commission) was created by an act of the Minnesota State Legislature in 1943 as a public corporation. Its purpose is to promote air navigation and transportation (international, national and local) in and through the State of Minnesota; promote the efficient, safe, and economical handling of air commerce; assure the inclusion of the state in national and international programs of air transportation; and, to those ends, develop the full potential of the metropolitan area as an aviation center. It has the responsibility to assure residents of the metropolitan area the minimum environmental impact from air navigation and transportation, promote the overall goals of the state's environmental policies, and minimize the public's exposure to noise and safety hazards around airports.

The area over which the Commission exercises its jurisdiction is the Minneapolis/St. Paul metropolitan area, which includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott, and Washington counties. The Commission controls and operates seven airports within the metropolitan area, including the Minneapolis/St. Paul International Airport, which services scheduled air carriers and six reliever airports serving general aviation.

The Commission is governed independently by a 15-member Board of Commissioners. The governor of the State of Minnesota appoints 13 commissioners. The mayors of Minneapolis and St. Paul also have seats on the Commission with the option to appoint a surrogate to serve on their behalf. Certain large capital improvement projects having metropolitan significance must be reviewed by the Metropolitan Council, which is a public agency established by law with powers of regulation over the development of the metropolitan area.

In applying current Governmental Accounting Standards Board (GASB) guidance, the State of Minnesota and the Commission have agreed that the Commission is not financially accountable to any other organization and is considered a stand-alone governmental unit.

Basis of Accounting

Under GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the Commission is considered to be a special-purpose government engaged primarily in business type activities (BTA). As a BTA, the Commission prepares its financial statements using the accrual basis of accounting and the economic resources measurement focus. Under the accrual basis of accounting, revenues are recognized when they are earned or when services are provided, and expenses are recognized when they are incurred.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal year ended December 31, 2015

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 of assets, deferred outflows of resources, liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue and Expense Recognition

The Commission considers revenues and expenses carried out in the operation and the maintenance of the Commission's system of airports to be operating in nature. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses or capital contributions and grants.

When both restricted and unrestricted resources are available for use, it is the Commission's policy to use restricted resources first, and then unrestricted resources as they are needed.

Budgeting Process

As required by Minnesota Statutes, the Commission adopts an annual operating and capital expenditures budget for purposes of determining required taxes, if any, to be levied by counties in its jurisdiction. Budgets are established on a departmental basis using the accrual method of accounting.

The process to amend the budget is set forth in the Commission bylaws, Article III, Section 8(a), and presented below:

"8(a) Establishment of the annual budget setting out anticipated expenditures by type of expenditure and/or upward or downward revision of that budget in the course of the corporation's fiscal year shall constitute prior approval of each type of expenditure. Authorization by vote of the Commission is required for transfer of budgeted amounts between or among line items or to appropriate additional funds for each line item. The Executive Director/CEO is directed to provide for the daily operation and management of the Commission within the expenditure guidelines of the annual budget. Commission approval of a contract shall constitute prior approval of disbursements made pursuant to terms of the contract within the constraints of the budget for all contract payments, except final construction contract payments, which shall require Commission approval.

The Executive Director/CEO shall have the responsibility of securing adequate quantities of office, janitorial, maintenance and repair materials and supplies, and the rent of sufficient equipment necessary for the smooth, continuous operation of the Commission's system of airports and all facilities associated with the system of airports. The Executive Director/CEO's authority to secure these items shall be subject to the Commission's purchasing procedures and be subject to the line-item budget constraints of the annual budget.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal year ended December 31, 2015

At any time during the fiscal year, the Executive Director/CEO may recommend to the full Commission that all or any unencumbered appropriation balances of individual line-items be transferred to those line-items that require additional budgeted funds. In addition, the Executive Director/CEO may recommend to the full Commission the appropriation of additional funds above and beyond those approved at the time of budget adoption."

The Commission is not required to demonstrate statutory compliance with its annual operating budget. Accordingly, budgetary data are not included in the basic financial statements. All budgets are prepared in accordance with airport lease and use agreements. Unexpended appropriations lapse at year-end.

Cash and Cash Equivalents

In accordance with Minnesota Statutes, the Commission maintains deposits at those depository banks which are members of the Federal Reserve System, as authorized by the Commission.

For purposes of the statement of cash flows, the Commission considers cash on hand plus overnight investments to be cash and cash equivalents.

Investments

The Commission's investments are reported at fair value as determined by quoted market prices in the balance sheet and changes in the fair value of investments are reported as investment income in the statement of revenues, expenses and changes in net position.

Inventory

Inventories, primarily fuel, are valued at cost on a first-in, first-out basis (FIFO). The cost of the Commission's inventories included in other assets is recorded as an expense when consumed rather than purchased.

Leases

Substantially all airport improvements and buildings are leased or charged to users under various agreements. Certain facilities are leased under self-liquidating lease agreements, which require the lessee to pay annual payments equal to the debt service requirements of the debt issued to construct the facilities or the debt service requirements that would have been required if debt had been issued. Other facilities at Minneapolis/St. Paul International Airport are charged to user airlines under lease agreements, which provide for compensatory rental rates designed to recover agreed-upon portions of costs incurred, including debt service, in the terminal building, ramp, and runway areas. Other facilities, to the extent they are leased, are leased under conventional agreements, primarily percentage leases.

Federal and State Grants

Outlays for airport capital improvements and certain airport operating expenses, primarily those relating to airport security, are subject to reimbursement from federal grant programs. Funds are also received for airport development from the State of Minnesota. The Commission records government grants in aid of construction as capital contributions.

Funding provided from government grants is considered earned as the related approved capital outlays or expenses are incurred. Costs claimed for reimbursement are subject to audit and acceptance by the granting agency.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal year ended December 31, 2015

Passenger Facility Charges

In June 1992, the Commission began collecting Passenger Facility Charges (PFCs). PFCs are fees imposed on enplaned passengers by airport authorities for the purpose of generating revenue for airport projects that increase capacity, increase safety, or mitigate noise impacts. The Commission has received permission from the Federal Aviation Administration (FAA) to impose and use a \$4.50 PFC, the current maximum rate allowed.

The following table sets forth a summary of the Commission's approved PFC applications (dollars in thousands):

PFC	Application Approval Date(as Amended)	Approved Amount
1	June, 1992	\$ 92,714
2	August, 1994	140,717
3	June, 1998	36,377
4	April, 1999	47,801
5	August, 1999	112,533
6	April, 2003	759,735
7	April, 2003	14,479
8	August, 2005	147,986
9	February, 2006	8,659
10	May, 2008	128,448
11	March, 2014	52,827
12	September, 2015	40,796
		<u>\$ 1,583,072</u>

PFC applications one through five are fully funded and have been closed out.

PFC's, which are recognized as earned, are included in nonoperating revenues and amounted to approximately \$70,471,000 for 2015.

Intangible Assets

The Commission has incurred, and continues to incur, substantial costs in relation to its ongoing Part 150 Sound Insulation Program. The Sound Insulation Program pays for a home within the airport's impacted noise area to be sound insulated with respect to doors, window treatments, etc., with no further cash outlay required by the Commission. Because the Commission receives an aviation release from each affected homeowner in return for providing sound insulation improvements, the associated costs are being recorded as an intangible asset and amortized to expense over a ten-year period, which approximates the estimated useful lives of such improvements. Amortization expense for capitalized Part 150 Sound Insulation expenses was \$12,996,000 for the year ended December 31, 2015. This amortization expense is included as a component of depreciation expense on the statement of revenues, expenses and changes in net position. The unamortized costs included in airport improvements and buildings at December 31, 2015 was approximately \$70,670,000.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal year ended December 31, 2015

Airports and Facilities

As required under Chapter 500, Laws of Minnesota 1943—the law under which the Commission was created—certain capital assets, classified as land and airport improvements and buildings, were contributed by the cities of Minneapolis and St. Paul. Fee title to the land and improvements remain with the two cities.

Additions to capital assets are recorded at cost, unless contributed, in which case such additions are recorded at fair value.

It is the Commission's policy to amortize the carrying amount of its capital assets, including those acquired using government grants in aid of construction and passenger facility charges, over their estimated useful lives on a straight-line basis by annual depreciation charges to income. Estimated useful lives on depreciable capital assets are as follows:

Airport improvements and buildings	10-40 years
Moveable equipment	3-15 years

Costs incurred for major improvements are carried in construction in progress until disposition or completion of the related projects. Costs relating to projects not pursued are expensed, while costs relating to completed projects are capitalized. The capitalization threshold for capital assets is \$10,000.

Capitalized Interest

Interest capitalized on projects funded by internally generated funds is based on the weighted-average borrowing rate of the Commission and actual project expenditures during the period of construction. Interest capitalized on projects funded from bond proceeds is based on the interest cost of the specific borrowing, less interest earned on undisbursed invested funds during the construction period. Interest is not capitalized on project costs that are reimbursed by government grants in aid of construction or PFCs.

Total interest expense was approximately \$57,614,000 for the year ended December 31, 2015, while interest capitalized as part of the cost of constructed assets was approximately \$1,571,000.

Compensated Absences

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

Substantially all employees receive compensation for vacations, holidays, illness and certain other qualifying absences. Liabilities relating to these absences are recognized as incurred and included in employee compensation, payroll taxes and other on the balance sheets.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal year ended December 31, 2015

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost-sharing multiple-employer defined-benefit plans administered by Public Employees Retirement Association of Minnesota (PERA), in which the Commission participates, and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Unearned Revenue

Unearned revenue represents advance interest payments on direct financing leases received from certain airlines, which will be recognized as investment income over the term of the lease agreement, as well as the unearned portion of annual taxi permits.

Deferred Outflows of Resources

As of December 31, 2015, deferred outflows of resources consisted of the following components:

Changes of assumptions - pensions	\$ 6,106
Change in proportion and differences in contributions - pensions	15,218
Differences between expected and actual experience - pensions	516
Commission's contributions made subsequent to the measurement date - pensions	4,287
Deferred loss on refundings of debt	26,965
	<hr/>
Total deferred outflows of resources	\$ 53,092
	<hr/> <hr/>

Deferred Inflows of Resources

As of December 31, 2015, deferred inflows of resources consisted of the following components:

Net difference between projected and actual earnings on pension plan investments - pensions	\$ 7,370
Differences between expected and actual experience - pensions	5,064
Accumulated increase in fair value of forward delivery agreements	9,849
Deferred gains on refundings of debt	352
	<hr/>
Total deferred inflows of resources	\$ 22,635
	<hr/> <hr/>

Original Issue Discounts/Premiums

Original issue discounts/premiums on bonds are generally being amortized using the effective interest method over the lives of the bonds to which they relate.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION
NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal year ended December 31, 2015

Net Position

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net position categories:

- Net investment in capital assets: reflects the Commission's investment in capital assets, net of accumulated depreciation and outstanding balances of debt attributable to the acquisition, construction or improvements of those assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets.
- Restricted: represent resources for which the Commission is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.
- Unrestricted: represent resources that are not subject to externally imposed stipulations that may be used to meet the Commission's ongoing obligations to the public and creditors. Unrestricted resources may be designated for specific purposes by action of the management or the governing board of the Commission.

Rental Income

Rental income is generally recognized as it becomes receivable over the respective lease terms. The Commission may, from time to time, have leases which provide for waived rent during the initial period of the lease term and/or rental escalations throughout the lease term. In accordance with GASB Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases*, the related rental income for leases in which the rental income stream is not systematic, if significant, is reported using the straight-line method rather than using the terms of the lease agreements.

Customer Facility Charges

With respect to on-airport rental car companies, the Commission is assessing a customer facility charge (CFC) per transaction day to recover the rental car portion of capital costs associated with the construction of the auto rental/public parking garage located adjacent to Terminal 1 (formerly the Lindbergh Terminal), as well as to recover certain maintenance costs relating to the auto rental facilities. The current CFC is \$3.25 per rental car transaction per day.

Adoption of New Accounting Standard

The Commission implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* (GASB 68), during 2015. The primary objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. With the implementation of GASB 68, the Commission recorded a net pension liability of approximately \$68,428,000 as of December 31, 2015, which was not previously included on the balance sheet. This amount represents the Commission's proportionate share of PERA's net pension liabilities for the General Employees Retirement Fund and the Public Employees Police and Fire Fund. Adoption of GASB 68 resulted in a decrease of approximately \$49,119,000 in beginning net position as of January 1, 2015.

In addition, deferred inflows of approximately \$12,434,000 and deferred outflows of approximately \$26,127,000 as of December 31, 2015 were recognized within the balance sheet, as a result of the Commission's adoption of GASB 68.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

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NOTE B: DEPOSITS AND INVESTMENTS

Cash Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned to it. Minnesota Statutes require that all Commission deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% for mortgage notes pledged). Authorized collateral includes allowable investments as discussed below, certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the Commission or in a financial institution other than that furnishing the collateral.

The Commission's interest-bearing deposit accounts are insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). For 2015, cash deposits were entirely insured or collateralized by securities held in the Commission's name by a financial institution (Commission's agent) other than that furnishing the collateral.

Investments

The Commission may invest idle funds as authorized by Minnesota Statute, Section 118A, and the Commission's internal investment policy in the following:

- a) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as high risk by Minnesota Statute, Section 118A.04 subd. 6;
- b) Mutual funds through shares of registered investment companies, provided the mutual fund receives certain ratings depending on its investments;
- c) General obligations of municipalities and certain state agency and local obligations of Minnesota and other states, provided such obligations have certain specified bond ratings by a national bond rating service;
- d) Bankers' acceptances of United States banks;
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two national rating agencies and matures in 270 days or less; and
- f) With certain restrictions, in repurchase agreements, security lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The Commission addresses certain investment-related risks to which it is currently exposed as follows:

Interest rate risk - the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The Commission has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates. The Commission may not invest in securities maturing more than four years from the date of purchase unless the security is for post-retirement health care funding, which may not mature more than ten years from the date of purchase. The Commission manages interest rate risk by maintaining sufficient liquidity to enable the Commission to meet anticipated cash requirements. The money market mutual funds are presented as an investment with a maturity of less than one year because they are redeemable in full immediately.

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The maturity ranges and credit ratings for the Commission's investment securities follow (dollars in thousands):

Security Type	Ratings	December 31, 2015					
		0 - 11	12 - 22	23 - 33	34 - 44	45 - 5	Total
		Maturing in Years					
Government-Sponsored Enterprises							
Federal Agricultural Mortgage Corporation	AA+ / Aaa	\$ 7,992	\$ -	\$ -	\$ -	\$ -	\$ 7,992
Federal Agricultural Mortgage Corporation	Not Rated	5,002	-	-	-	-	5,002
Federal Farm Credit Bank	AA+ / Aaa	10,365	2,748	3,973	9,576	-	26,662
Federal Farm Credit Bank	AA+ / N/R	1,000	-	-	-	-	1,000
Federal Farm Credit Bank	Not Rated	7,992	-	-	-	-	7,992
Federal Home Loan Mortgage Corporation	AA+ / Aaa	10,004	3,968	10,859	15,897	-	40,728
Federal National Mortgage Association	AA+ / Aaa	11,286	97,978	12,783	11,578	-	133,625
Federal National Mortgage Association	Not Rated	1,837	1,269	-	-	-	3,106
Federal Home Loan Bank Financing Corporation	AA+ / Aaa	214,615	52,885	128,074	27,761	-	423,335
Federal Home Loan Bank Financing Corporation	Not Rated	5,953	-	-	-	-	5,953
Municipal Bonds:							
	AAA / AAA	-	-	2,081	-	991	3,072
	AAA / Aa2	630	-	-	-	-	630
	AA+ / Aa1	5,006	-	-	1,671	-	6,677
	AA+ / Aa3	-	1,342	-	-	-	1,342
	AA / Aa2	2,835	-	220	-	-	3,055
	AA / N/R	1,522	-	-	-	-	1,522
	AA- / Aa1	-	-	-	1,534	-	1,534
	N/R / Aa1	-	-	-	1,129	-	1,129
	N/R / A1	-	336	-	-	-	336
Money Market Mutual Funds							
		169,131	-	-	-	-	169,131
Totals		\$ 455,170	\$ 160,526	\$ 157,990	\$ 69,146	\$ 991	\$ 843,823

Ratings: AA+ Standard & Poors; Aaa Moody's

Credit risk - the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statute 118A limits the types of investment instruments that may be purchased by the Commission. The ratings of the Commission's debt investments are shown in the table above.

Concentration of credit risk - the Commission requires a diversified investment portfolio to avoid risk of losses resulting from an over-concentration of assets in a specific maturity, issuer, or class of securities.

In respect to U.S. government agency obligations and government-sponsored enterprises, the Commission places no limit on the amount that may be invested in any one issuer. The Commission cannot hold more than 30% of its portfolio in commercial paper, 25% in any state or local government obligation, or 4% in any one corporation. The U.S. government-sponsored enterprise securities held by the Commission are not explicitly guaranteed by the U.S. Government and are subject to concentration of credit risk.

At December 31, 2015, the following investments represent more than 5% of total investments:

Government-Sponsored Enterprises:	
Federal National Mortgage Association	50%
Federal Home Loan Bank	16%

Custodial credit risk - the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. At December 31, 2015, none of the Commission's investments were exposed to custodial credit risk.

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Foreign currency risk - the risk of adverse effects on the fair value of an investment from changes in exchange rates. The Commission's investment policy does not allow investments in foreign investments, thus the Commission has no foreign currency risk with respect to its deposits or investments.

The Commission's cash, cash equivalents and investments are reported as follows in the balance sheet at December 31 (dollars in thousands):

	<u>2015</u>
Cash and cash equivalents - unrestricted	\$ 6,158
Investments - unrestricted	376,879
Investments, current - restricted	78,844
Investments, noncurrent - restricted	<u>388,100</u>
Total cash, cash equivalents and investments	<u>\$ 849,981</u>

Investment income for the Commission for the year ended December 31 consisted of the following (dollars in thousands):

	<u>2015</u>
Investment income from leases	\$ 4,168
Investment income from investments	11,306
Net decrease in fair value of investments	<u>(6,233)</u>
	<u>\$ 9,241</u>

NOTE C: RESTRICTED CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments at December 31 are restricted as follows (dollars in thousands):

	<u>2015</u>
Coverage Account	\$ 17,013
Police Federal Forfeiture Fund	600
Police State Forfeiture Fund	121
Passenger Facility Charge Fund	174,211
911 Emergency Communications Fund	368
Solar Panel Construction Fund	13,436
Revenue Bond Interest and Principal Fund	87,994
Revenue Bond Reserve Fund	122,480
Revenue Bonds Construction Fund	27,241
Revolving Loan Construction Fund	<u>23,480</u>
	<u>\$ 466,944</u>

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NOTE D: GRANTS RECEIVABLE

Grants receivable from government agencies represent reimbursements due from the federal government and/or the State of Minnesota for allowable costs incurred on federal and state award programs. Grants receivable at December 31 consists of (dollars in thousands):

	2015
Federal Aviation Administration	\$ 11,360
Transportation Security Administration	9,140
State of Minnesota	3,313
	\$ 23,813

NOTE E: CAPITAL ASSETS

Changes in capital assets by major classification are as follows (dollars in thousands):

	Balance January 1, 2015	Balance Transfers Additions	Retirements In (Out) or Disposals	December 31, 2015	
Capital assets - not depreciated:					
Land	\$ 363,824	\$ -	\$ -	\$ -	\$ 363,824
Construction in progress	92,044	135,907	(87,859)	-	140,092
Total capital assets - not depreciated	455,868	135,907	(87,859)	-	503,916
Capital assets - depreciated:					
Airport improvements and buildings	3,778,370	-	85,340	-	3,863,710
Less: accumulated depreciation	(1,861,935)	(125,776)	-	-	(1,987,711)
Net airport improvements and buildings	1,916,435	(125,776)	85,340	-	1,875,999
Movable equipment	140,424	14,852	2,519	(1,683)	156,112
Less: accumulated depreciation	(97,001)	(8,643)	-	1,653	(103,991)
Net movable equipment	43,423	6,209	2,519	(30)	52,121
Total capital assets - depreciated	1,959,858	(119,567)	87,859	(30)	1,928,120
Net capital assets	\$ 2,415,726	\$ 16,340	\$ -	\$ (30)	\$ 2,432,036

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

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NOTE F: LONG-TERM DEBT

The Commission's long-term debt at December 31 consisted of the following (dollars in thousands):

Type of Issue	Date	Rates on January 1	Issue	Interest	Maturing	Maturity	Amounts 2015	
General Airport Revenue Bonds								
Series 2007A *	1/9/2007		5.000%		2017 - 2026		\$ 223,090	
Original amount - \$440,985			4.500%		2027 - 2032		217,895	\$ 440,985
Series 2007B **	1/9/2007		5.000%		2016 - 2026		108,150	
Original amount - \$197,360			4.500%		2027 - 2032		89,210	197,360
Series 2008A *	1/15/2008		5.000%		2016		10,490	10,490
Original amount - \$72,035								
Series 2009A *	11/10/2009		4.000%		2016 - 2019		8,725	
Original amount - \$23,075			5.000%		2020 - 2021		4,920	
			4.125%		2022		205	13,850
Series 2009B *	11/10/2009		5.000%		2016 - 2017		23,175	
Original amount - \$128,835			4.500%		2018		2,000	
			5.000%		2018		10,465	
			4.700%		2019		2,000	
			5.000%		2019		11,075	
			4.800%		2020		2,000	
			5.000%		2020 - 2022		29,955	80,670
Series 2010A *	7/28/2010		5.000%		2028		1,460	
Original amount - \$62,210			4.000%		2028		3,090	
			5.000%		2029		2,000	
			4.000%		2029		5,155	
			5.000%		2030		2,325	
			4.125%		2030		5,135	
			5.000%		2031 - 2035		43,045	62,210
Series 2010B *	7/28/2010		4.000%		2016		3,895	
Original amount - \$73,475			5.000%		2017 - 2026		50,980	
			4.000%		2027 - 2028		8,915	63,790
Series 2010C **	10/01/2010		4.000%		2016		1,640	
Original amount - \$21,600			3.000%		2017		635	
			3.500%		2018		655	
			5.000%		2019 - 2021		2,145	
			3.250%		2022 - 2023		1,595	
			3.500%		2024		55	6,725
Series 2010D ** (AMT)	10/01/2010		5.000%		2016 - 2022		34,115	
Original amount - \$68,790			4.000%		2023		5,690	
			4.125%		2024		1,010	40,815

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Type of Issue	Date	Rates	on January 1	Issue	Interest	Maturing	Maturity	Amounts	2015
Series 2011A **	10/04/2011	5.000%		2016 - 2023				\$ 39,570	
Original amount - \$52,015		3.500%		2024				6,115	
		5.000%		2025				6,330	\$ 52,015
Series 2012A ** (Taxable)	11/20/2012	1.499%		2016				5,565	
Original amount - \$39,770		1.849%		2017				5,650	
		2.238%		2018				5,755	
		2.438%		2019				5,880	
		2.755%		2020				6,025	28,875
Series 2012B **	11/20/2012	5.000%		2026 - 2031				42,015	42,015
Original amount - \$42,015									
Series 2014A **	10/08/2014	2.000%		2016				3,270	
Original amount - \$217,790		4.000%		2017				4,620	
		5.000%		2018 - 2035				209,900	217,790
Series 2014B ** (AMT)	10/08/2014	2.000%		2016				3,850	
Original amount - \$46,590		4.000%		2017				3,900	
		5.000%		2018 - 2035				38,840	46,590
Total General Airport Revenue Bonds									1,304,180
Notes Payable									90,857
Unamortized premium, net									1,395,037
Current portion of long-term debt									57,853
									(60,436)
Total Long-Term Bonds and Notes Payable									\$ 1,392,454

* Senior General Airport Revenue Bonds
 ** Subordinate General Airport Revenue Bonds

Future debt service requirements as of December 31, 2015 are as follows (dollars in thousands):

	General				
	Notes Payable	Revenue Bonds	Debt Outstanding	Principal Interest	Total Interest
2016	\$ 3,426	\$ 57,010	\$ 60,436	\$ 62,481	\$ 122,917
2017	46,312	61,125	107,437	59,921	167,358
2018	2,710	63,530	66,240	56,798	123,038
2019	2,719	62,795	65,514	53,750	119,264
2020	2,535	65,745	68,280	50,614	118,894
2021 - 2025	10,207	348,510	358,717	202,811	561,528
2026 - 2030	9,177	445,790	454,967	105,559	560,526
2031 - 2035	12,774	199,675	212,449	18,477	230,926
2036	997	-	997	32	1,029
	\$ 90,857	\$ 1,304,180	\$ 1,395,037	\$ 610,443	\$ 2,005,480

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The Commission's General Airport Revenue Bonds are not general obligations, but are limited obligations of the Commission payable solely from and secured by a pledge of net revenues. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of St. Paul, the State, or any political subdivision or public agency of the State, other than the Commission, to the extent of net revenues, is pledged to the payment of the General Airport Revenue Bonds. The proceeds of these issues have been used to finance a portion of the Commission's long-term capital improvement program, which details the expansion of the airport system.

The Commission's General Obligation Revenue Bonds are general obligations of the Commission, payments of which are secured by the pledge of all operating revenues of the Commission. The Commission also has the power to levy property taxes upon all taxable property in the seven-county metropolitan area in order to pay debt service on outstanding General Obligation Revenue Bonds. The Commission has not levied taxes for the payment of debt service since 1969. Since then, Commission revenues have been sufficient to pay principal and interest due on General Obligation Revenue Bonds. During 2015, the Commission fully redeemed the remaining amount of its General Obligation Bonds. The present statutory general obligation bonding limit as of December 31, 2015, would permit the issuance of an additional \$55,000,000 of General Obligation Revenue Bonds.

The Commission has a \$75,000,000 revolving line of credit to fund certain capital improvement program projects and is secured by a subordinate pledge of the Commission's net revenues. Each advance under the revolving line of credit is evidenced by a separate promissory note. Interest is payable monthly and varies with the Tax-Exempt or Taxable London Interbank Offered Rate (LIBOR), as applicable, and expires on November 3, 2017. The interest rate on revolving line of credit was 0.67% on December 31, 2015, and there was \$42,460,000 outstanding on the Commission's revolving line of credit at December 31, 2015. This amount is included in notes payable in the balance sheet.

On November 19, 2015, the Commission entered into a Taxable Equipment Lease/Purchase Agreement with an aggregate principal amount of approximately \$11,737,000, the proceeds from which will be used to finance the acquisition and construction of the photovoltaic solar panel installation on the top of a parking ramp at Terminal 2. \$8,524,000 of the aggregate principal amount qualifies as a new clean renewable energy bond (NCREB) and \$3,066,000 qualifies as a qualified energy conservation bond (QECB), both of which are eligible for a direct interest rate subsidy from the federal government. At December 31, 2015, the interest rate on the bonds was 4.24%, subject to an interest rate subsidy of 3.15%, for an effective net interest rate of 1.09%. Scheduled rental payments under the lease/purchase agreement extend through August 15, 2036.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

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NOTE G: CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2015 was as follows (dollars in thousands):

	Balance January 1, 2015 ¹	Balance Retirements December 31, Current Additions and Other 2015 Portion			
Unearned revenue	\$ 2,505	\$ 1,225	\$ (1,341)	\$ 2,389	\$ 1,362
Employee compensation and other	9,158	71,960	(71,128)	9,990	7,716
Postemployment medical	57,996	6,291	(3,664)	60,623	-
Notes payable	50,510	43,147	(2,800)	90,857	3,426
Bonds payable	1,416,158	-	(54,125)	1,362,033	57,010
Net pension liability	45,130	36,281	(12,983)	68,428	-
	\$ 1,581,457	\$ 158,904	\$ (146,041)	\$ 1,594,320	\$ 69,514

¹ - Restated for the implementation of GASB 68.

NOTE H: DIRECT FINANCING LEASES

The Commission leases certain facilities to tenants under self-liquidating lease agreements. Self-liquidating lease agreements require the lessee to pay annual rentals equal to the debt service requirements of the bonds issued to construct the facilities, or the debt service requirements that would have been required if bond financing was used. These leases are classified as direct financing leases and expire in various years through 2030. The Commission records the interest portion of the lease payments as investment income. The following lists the components of the Commission's direct financing leases as of December 31 (dollars in thousands):

	2015
Total minimum lease payments to be received	\$ 66,879
Less: Unearned income	(23,427)
Leases receivable - current and noncurrent	\$ 43,452

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As of December 31, 2015, future minimum lease payments are as follows (dollars in thousands):

2016		\$	8,370
2017			8,276
2018			8,338
2019			8,403
2020			8,403
2021 - 2025			21,527
2026 - 2030			3,562
			\$ 66,879

NOTE I: DERIVATIVE FINANCIAL INSTRUMENTS

The Commission is a party to two debt service reserve forward delivery agreements (the Forward Delivery Agreements). The Forward Delivery Agreements require the counterparty financial institutions to deposit securities in certain of the Commission's debt service reserve trust accounts and provide the Commission with a guaranteed rate of return for these accounts. The securities that are deposited into these accounts are timed to meet scheduled debt service reserve funding requirements.

Eligible securities under the Forward Delivery Agreements are generally limited to: (a) non-callable obligations of the United States of America, including obligations issued or held in book-entry form on the books of the Department of Treasury and (b) bonds, notes, debentures, obligations or other evidence of indebtedness issued or guaranteed by the Federal National Mortgage Association or Federal Home Loan Mortgage Corporation.

Objective of the Forward Delivery Agreements

The Forward Delivery Agreements allow the Commission to earn a guaranteed fixed rate of return over the life of the investments. These agreements are utilized by the Commission to earn a rate of return in excess of a rate that would otherwise be feasible by investing in securities with a shorter term.

Terms

The general terms of each agreement are set forth in the table below (dollars in thousands):

	Effective Date of Agreement	Fair Value at Termination Scheduled Amount	Guaranteed Rate	December 31, 2015	
Series 2009 Debt Service Reserve Funds	5/18/2000	1/1/2021	\$ 7,727	6.1600%	\$ 1,704
Series 2014 Debt Service Reserve Funds	11/1/2005	1/1/2035	23,182	4.6775%	8,145
					\$ 9,849

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Fair Value

The fair value of each Forward Delivery Agreement is based on the value of the future discounted cash flows expected to be received over the life of the agreement relative to an estimate of discounted cash flows that could be received over the same term based on current market conditions. The fair values of the Forward Delivery Agreements are classified as a noncurrent asset. As the Forward Delivery Agreements are effective hedging instruments, the offsetting balances are reflected as deferred inflows of resources.

Credit Risk

Credit risk is the risk that the counterparty will not fulfill its obligations. Under the terms of the Forward Delivery Agreements, the Commission is either holding cash or an approved security within certain debt service reserve funds. None of the principal amount of an investment under the Forward Delivery Agreements is at risk to the credit of the counterparty. Should the counterparty default, the Commission's maximum exposure is the positive termination value, if any, related to these agreements.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of the Commission's financial instruments or cash flows. The fair market values of the Forward Delivery Agreements are expected to fluctuate over the life of the agreements in response to changes in interest rates. The Commission does not have a formally adopted policy related for interest rate risk on the Forward Delivery Agreements.

Termination Risk

The Commission or the counterparties may terminate the Forward Delivery Agreements if the other party fails to perform under the terms of the contract. If the Forward Delivery Agreements have a negative fair value at the time of termination, the Commission would be liable to the counterparty for a payment equivalent to the fair market value of the instrument at the time of termination.

NOTE J: PENSION AND RETIREMENT PLANS

The Commission participates in the following cost-sharing multiple-employer defined-benefit pension plans: the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF). Both of these plans are administered by the Public Employees Retirement Association of Minnesota (PERA) in accordance with Minnesota Statutes, Chapters 353 and 356. The PERA's defined-benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

Plan Descriptions

GERF

All full-time and certain part-time employees of the Commission are covered by the GERF Coordinated Plan. Coordinated Plan members are covered by Social Security.

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PEPFF

Originally established for police officers and firefighters not covered by a local relief association, the PEPFF now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to the PERA.

Benefit Provisions

The PERA provides retirement and disability benefits to members, and benefits to survivors upon the death of eligible members. Benefits are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF

GERF benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for the GERF's Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

PEPFF

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for the PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For the PEPFF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

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Contributions

Minnesota Statutes set the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The Commission makes annual contributions to the pension plans equal to the amount required by state statutes.

GERF

The GERF members were required to contribute 6.50% of their annual covered salary to the plan in calendar year 2015, while the Commission was required to contribute 7.50%. The Commission's contributions to the GERF for the year ended December 31, 2015 were approximately \$4,747,000. This amount includes an Employer Supplemental Contribution of approximately \$2,037,000 relating to the former Minneapolis Employees Retirement Fund, which was fully merged into GERF in January, 2015. The Commission's contributions were equal to the required contributions as set by state statute.

PEPFF

The PEPFF members were required to contribute 10.80% of their annual covered salary to the plan in calendar year 2015, while the Commission was required to contribute 16.20%. The Commission's required contributions to the PEPFF for the year ended December 31, 2015 were approximately \$1,920,000. The Commission's contributions were equal to the required contributions as set by state statute. Additionally, the State of Minnesota is required to contribute an aggregate amount for all employers of \$9,000,000 to the PEPFF each year, beginning in fiscal year 2014. State aid will continue until the plan is 90 percent funded, or the State Patrol Plan, administered by the Minnesota State Retirement System, is 90 percent funded, whichever occurs later.

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

GERF

At December 31, 2015, the Commission reported a liability of approximately \$53,986,000 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the Commission's proportion was 1.0417%, which was an increase of 0.3640% from its proportion of 0.6777% measured as of June 30, 2014.

For the year ended December 31, 2015, the Commission recognized pension expense of \$10,805,589.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal year ended December 31, 2015

At December 31, 2015, the Commission reported its proportionate share of the GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollars in thousands):

	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 501	\$ 2,722
Net difference between projected and actual earnings on pension plan investments	-	4,806
Changes of assumptions	3,362	-
Change in proportion and differences between the MAC's contributions and proportionate share of contributions	14,771	-
MAC's contributions subsequent to the measurement date	3,330	-
Total	\$ 21,964	\$ 7,528

At December 31, 2015, the Commission reported approximately \$3,330,000 as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

2016	\$ 3,920
2017	3,920
2018	1,988
2019	1,278
	\$ 11,106

PEPFF

At December 31, 2015, the Commission reported a liability of approximately \$14,442,000 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the Commission's proportion was 1.271%, which was an increase of 0.040% from its proportion of 1.231% measured as of June 30, 2014.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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Fiscal year ended December 31, 2015

The Commission recognized \$114,390 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. For the year ended December 31, 2015, the Commission recognized pension expense of \$1,576,492, exclusive of the State's on-behalf contributions.

At December 31, 2015, the Commission reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflow of resources related to pensions from the following sources (dollars in thousands):

	2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 15	\$ 2,342
Net difference between projected and actual earnings on pension plan investments	-	2,564
Changes of assumptions	2,744	-
Change in proportion and differences between the MAC's contributions and proportionate share of contributions	447	-
MAC's contributions subsequent to the measurement date	957	-
Total	\$ 4,163	\$ 4,906

At December 31, 2015, the Commission reported approximately \$957,000 as deferred outflows of resources related to pensions resulting from Commission contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows (dollars in thousands):

2016	\$ (754)
2017	(754)
2018	(754)
2019	940
2020	(378)
	\$ (1,700)

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal year ended December 31, 2015

Actuarial Assumptions (Both Plans)

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75%
Active member payroll growth	3.50%
Long-term expected rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1% effective every January 1st until 2034, then 2.5% for GERP and PEPFF.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004 through June 30, 2009.

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term	
	Target Allocation	Expected Real Rate of Return
Domestic stocks	45%	5.5%
International stocks	15%	6.0%
Fixed income	18%	1.5%
Alternative assets	20%	6.4%
Cash	2%	0.5%
	<u>100%</u>	

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal year ended December 31, 2015

Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the Commission's proportionate share of the net pension liability for both plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate (dollars in thousands):

	Current		
	1% Decrease	Discount Rate	1% Increase
Commission's proportionate share of the GERF net pension liability	\$ 84,886	\$ 53,986	\$ 28,468
Commission's proportionate share of the PEPFF net pension liability	28,147	14,442	3,119

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE K: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, the Commission recognizes postemployment benefits on the full accrual basis of accounting over a period that approximates an employee's years of service.

The Commission provides health insurance benefits for certain retired employees under a single-employer, self-insured plan. All non-union employees who retire at age 55 or later, have three years of service or who are receiving benefits from the PERA and who do not participate in any other health benefits program providing coverage similar to that herein described are eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the Commission's health benefits program. Union employees require ten years of service to be eligible for benefits. The Commission does not issue a stand-alone financial report for its retiree health plan.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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Fiscal year ended December 31, 2015

Funding Policy

The contribution requirements of employees and retirees are established and may be amended by the Commission. The required contribution is based upon projected pay-as-you-go financing requirements and funding for future benefits. For employees hired prior to January 1, 1991, the Commission makes contributions (as specified in union agreements or the Commission's personnel policy) toward required premiums at the same percentages applicable to active employees and their eligible dependent(s) until becoming eligible for Medicare Part A or B, or both. The Commission pays 100% of the premium for the retired employee, a spouse over age 65, and any legal dependents, provided that the retired employee is receiving benefits from the PERA and is enrolled in Medicare Part A and B as his/her primary health insurance. As of January 1, 1991, all employees hired by the Commission are only able to participate in the Commission medical plan up to age 65. During 2004, the Commission approved that non-organized employees hired after October 1, 2004 will be able to participate in the Commission medical plan provided that the retiree pay 100% of the total premium cost plus a 2% administrative fee. During 2006 and 2007, the Commission was successful in getting language in all eligible labor agreements that provides that organized employees hired after the date of the signed contract will be able to participate in the Commission's health plan provided that the retiree pays 100% of the total premium cost plus a 2% administrative fee. As of December 31, 2015, there were 255 retired employees and 537 active employees receiving health benefits from the Commission's health plan.

The Commission contributed approximately \$3,664,000 to the plan in fiscal year 2015, \$3,323,000 to the plan in fiscal year 2014 and \$3,169,000 in fiscal year 2013. Retirees contributed approximately \$178,000 for fiscal year 2015, \$166,000 for fiscal year 2014 and \$128,000 for fiscal year 2013. Monthly contributions for retirees under 65 for 2015 are shown below:

PlanSingleFamily

Blue Plan	\$	29.00	\$	175.00
HRA/HSA		15.00		111.00

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

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Fiscal year ended December 31, 2015

Annual OPEB Cost and Net OPEB Obligation

The Commission's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined as of January 1, 2015, in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not-to-exceed 30 years. The following table shows the components of the Commission's annual OPEB cost for 2015, 2014 and 2013, the amount actually contributed to the plan, and changes in the Commission's net OPEB obligation (dollars in thousands):

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Annual required contribution (ARC)	\$ 7,325	\$ 6,681	\$ 6,567
Interest on net OPEB obligation	2,320	2,225	2,131
Adjustment to ARC	<u>(3,354)</u>	<u>(3,217)</u>	<u>(3,081)</u>
Annual OPEB cost	6,291	5,689	5,617
Contributions during the year	<u>(3,664)</u>	<u>(3,323)</u>	<u>(3,169)</u>
Increase in net OPEB obligation	2,627	2,366	2,448
Net OPEB - beginning of year	<u>57,996</u>	<u>55,630</u>	<u>53,182</u>
Net OPEB - end of year	<u>\$ 60,623</u>	<u>\$ 57,996</u>	<u>\$ 55,630</u>

The percentage of the Commission's annual OPEB cost contributed to the plan was: 58.24% for 2015; 58.41% for 2014; and 56.42% for 2013.

Funding Status and Funding Progress

The Commission has set aside cash and investments to pay for future health benefits of approximately \$60,907,000; \$58,270,000 and \$55,903,000 in 2015, 2014 and 2013, respectively. However, since such designated cash has not been irrevocably deposited in trust for future health benefits, the actuarial value of plan assets is \$0.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and health care cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the accompanying notes to the financial statements, presents multi-year information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits over time.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal year ended December 31, 2015

The funded status and funding progress of the plan based on the most recent annual actuarial valuation for the plan, dated as of January 1, 2015, was as follows (dollars in thousands):

Actuarial Valuation Date	Actuarial Assets	Accrued Liability Value of Projected Unit Credit (UAAL)	Actuarial Liability Ratio	Unfunded Actuarial UAAL as Accrued Percentage Covered of Covered	Payroll	Payroll
01/01/2015	\$ -	\$ 96,226		\$ 96,226 0.0%	\$ 46,733	205.9%

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions used include an initial annual health care cost trend rate of 7.2%, which decreases to 5% over 7 years. Additional assumptions used include a discount rate of 4% and an inflation rate of 2.75%. The unfunded actuarial accrued liability (UAAL) is being amortized as a level dollar amount over the maximum allowable period of 30 years on an open basis.

NOTE L: RISK MANAGEMENT

Risk management is the responsibility of the Commission. The Commission is self-insured for workers' compensation and health/dental claims. Claims paid for workers compensation for 2015 were approximately \$309,000. Claims paid for health and dental coverage for 2015 were approximately \$6,505,000. The unpaid claims for workers compensation at December 31, 2015 were approximately \$1,042,000. The health and dental unpaid claims at December 31, 2015 were approximately \$638,000. The liability recorded under employee compensation and payroll taxes by the Commission includes estimated settlements for claims reported but not settled as of December 31, 2015, as well as an estimate of claims incurred but not reported. The entire liability is included in the current liabilities section of the balance sheets, since any amounts considered to be noncurrent are believed to not be material. Changes in the balances of claim liabilities during 2015 was as follows (dollars in thousands):

	2015	2014
Unpaid claims - beginning of year	\$ 1,659	\$ 1,695
Incurred claims and changes in estimates	6,835	6,849
Claims paid	(6,814)	(6,885)
Unpaid claims - end of year	\$ 1,680	\$ 1,659

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal year ended December 31, 2015

Operationally, the Commission is exposed to various risks of loss relating to theft, damage and destruction of assets, as well as natural disasters and certain tort liabilities for which commercial insurance is carried. The commercial insurance policies carry a deductible of \$50,000. Settled claims have not exceeded this commercial coverage in any of the past three years. Insurance policies procured, including commercial general liability and commercial property damage, are inclusive of coverage for certain war casualty and acts of terrorism. Coverage terms, limits, and deductibles have each been benchmarked in comparison with those maintained at other large-size airports and found to be within the range of our peers. Although coverage limits are significant, no assurance can be given that such coverage will continue to be available at such amounts and/or at a reasonable cost.

Casualty loss involving damage to or destruction of physical property in the course of construction is covered under the Commission's property insurance policy. This policy does not apply to the Commission contractors. This policy contains a deductible of \$250,000 per occurrence applicable to all covered causes of loss, including flood and earth movement.

The Commission requires entities providing professional services to the Commission to obtain an owner's protective professional indemnity policy. Contracted professional service firms participating in this project are required to provide evidence of at least \$1,000,000 of coverage and names the Commission as an additional insured on the general liability policy, leaving the Commission minimally exposed.

NOTE M: CONTINGENT LIABILITIES AND COMMITMENTS

The nature of the business of the airport generates certain litigation against the Commission arising in the ordinary course of business. The Commission believes that existing and pending lawsuits and claims are either billable to airport users or would not materially affect the financial statements of the Commission.

Contractual obligations for construction were approximately \$52,075,000 at December 31, 2015.

Noise Abatement

On October 19, 2007, the Minnesota State District Court, Fourth Judicial District (the District Court) approved a Consent Decree negotiated by the City of Minneapolis, the Minneapolis Public Housing Authority in and for the City of Minneapolis, the City of Eagan and the City of Richfield (collectively, the "Noise Plaintiffs") and the Commission to settle noise abatement lawsuits.

Under the Consent Decree, the Commission must provide noise mitigation to homes and apartments in the 60 to 64 DNL contours. Noise mitigation activities vary based on noise contours, with homes in the most noise-impacted contours eligible for more extensive mitigation than those in less impacted areas. Multi-family dwellings (those with more than three living units) receive less extensive mitigation than single-family homes. The total cost to the Commission under this program was \$102,000,000 as of December 31, 2015. As discussed previously in the notes, noise mitigation costs are being capitalized as incurred and amortized over ten years.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION

NOTES TO THE FINANCIAL STATEMENTS

Financial Section

Fiscal year ended December 31, 2015

The Consent Decree was amended in 2013 by establishing criteria to provide noise mitigation to homes and apartments through December 31, 2024. It is expected that some additional homes will become eligible for noise mitigation based upon changes in the DNL contours. Also, some homes will move into a higher DNL contour. A home will become eligible for consent decree noise mitigation if it is located or changes DNL contour levels for three consecutive years. The noise mitigation provided to the home or apartment will be consistent with the terms and levels of the original consent decree.

The costs related to the noise abatement settlements will be funded from internally generated funds of the Commission.

Runway 17/35 Land Acquisition

Certain remaining property acquisitions in association with Runway 17/35 may result in damage awards of an indeterminate amount. Any damage awards associated with these acquisitions would be capitalized as a cost of the project and may be recovered through airline rates and charges.

NOTE N: MAJOR CUSTOMER

Delta Airlines, Inc. (Delta) is in the business of transporting air passengers, mail and property. Delta operates both domestic and international air route systems. Minneapolis/St. Paul International Airport (MSP) is one of Delta's major hubs. Airport revenues from Delta account for approximately 25% of operating revenues and 69% of total revenues from major airlines. Approximately 71% of total 2015 enplanements are attributable to Delta's operation. In the event that Delta discontinues its operations, there are no assurances that another airline would replace its hub activities.

It is reasonable to assume that any financial or operational difficulties incurred by Delta, the predominant airline servicing MSP, could have a material adverse effect on the Commission.

NOTE O: RENTAL INCOME FROM OPERATING LEASES

The Commission leases space at the airport terminal buildings as well as other land and building leases on a fixed fee as well as a contingent rental basis. Many of the leases provide for a periodic review and adjustment of the rental amounts. Substantially all capital assets are held by the Commission for the purpose of rental or related use. At December 31, 2015, minimum future rentals scheduled to be received on operating leases that have initial or remaining non-cancelable terms in excess of one year are (dollars in thousands):

2016	\$	105,620
2017		112,082
2018		103,676
2019		103,471
2020		85,553
Thereafter		121,281

Contingent rentals and fees aggregated approximately \$94,800,000 in 2015.

Required Supplementary Information

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION
Schedule of Commission's Proportionate Share of the Net Pension Liability
Required Supplementary Information (Last Ten Years*)
(Unaudited)

Financial Section

Fiscal year ended December 31, 2015
(Dollars in Thousands)

General Employees Retirement Fund

	<u>2015</u> <u>2014</u>	
Commission's proportion of the net pension liability	1.0417%	0.6777%
Commission's proportionate share of the net pension liability	\$ 53,986	\$ 31,835
Commission's covered payroll	\$ 37,175	\$ 36,047
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	145%	88%
Plan fiduciary net position as a percentage of the total pension liability	78%	79%

Public Employees Police and Fire Fund

	<u>2015</u> <u>2014</u>	
Commission's proportion of the net pension liability	1.2710%	1.2310%
Commission's proportionate share of the net pension liability	\$ 14,442	\$ 13,295
Commission's covered payroll	\$ 11,807	\$ 11,221
Commission's proportionate share of the net pension liability as a percentage of its covered payroll	122%	118%
Plan fiduciary net position as a percentage of the total pension liability	87%	87%

*The amounts presented for each fiscal year were determined as of June 30 (measurement date).

Note: Ten years of information is required to be disclosed and will be added as the information becomes available.

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION
Schedule of Commission's Pension Contributions
Required Supplementary Information (Last Ten Years*)
(Unaudited)

Financial Section

Fiscal year ended December 31, 2015
(Dollars in Thousands)

General Employees Retirement Fund

	<u>2015</u> <u>2014</u>	
Statutorily required contribution	\$ 4,747	\$ 4,556
Contributions in relation to the statutorily required contribution	\$ 4,747	\$ 4,556
Contribution deficiency (excess)	\$ -	\$ -
Commission's covered-employee payroll	\$ 38,019	\$ 37,151
Contributions as a percentage of covered payroll	12.49%	12.26%

Public Employees Police and Fire Fund

	<u>2015</u> <u>2014</u>	
Statutorily required contribution	\$ 1,920	\$ 1,763
Contributions in relation to the statutorily required contribution	\$ 1,920	\$ 1,763
Contribution deficiency (excess)	\$ -	\$ -
Commission's covered-employee payroll	\$ 11,821	\$ 11,440
Contributions as a percentage of covered payroll	16.24%	15.41%

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

Note: Ten years of information is required to be disclosed and will be added as the information becomes available.

NOTES TO SCHEDULE:

Benefit changes: none

Changes of assumptions: none

MINNEAPOLIS/ST. PAUL METROPOLITAN AIRPORTS COMMISSION
Schedule of OPEB Funding Progress
(Unaudited)

Financial Section

Fiscal year ended December 31, 2015

Actuarial Valuation Date	Actuarial Assets (in thousands)	Projected Value of Unit Credit (UAAL) (in thousands)	Actuarial Liability Covered (in thousands)	Actuarial Accrued Liability (in thousands)	Unfunded Actuarial Accrued UAAL as a Percentage of Covered Payroll (in thousands)	Actuarial Valuation Date	Actuarial Assets (in thousands)	Projected Value of Unit Credit (UAAL) (in thousands)	Actuarial Liability Covered (in thousands)	Actuarial Accrued Liability (in thousands)	Unfunded Actuarial Accrued UAAL as a Percentage of Covered Payroll (in thousands)
01/01/2015	\$ -	\$ -	\$ 96,226	\$ 96,226	0.0%	\$ 01/01/2015	\$ -	\$ -	\$ 96,226	\$ 96,226	0.0%
01/01/2014	-	-	89,364	89,364	0.0%	\$ 01/01/2014	-	-	89,364	89,364	0.0%
01/01/2013	-	-	87,020	87,020	0.0%	\$ 01/01/2013	-	-	87,020	87,020	0.0%

Actuarial Valuation Date	Participant Summary		
	Active Employees	Retirees and Beneficiaries	Total
01/01/2015	537	255	792
01/01/2014	541	258	799
01/01/2013	531	244	775

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APPENDIX C-1

CERTAIN DEFINITIONS

The following are definitions of certain terms used in this Official Statement including the summaries of the Master Senior Indenture, the Tenth Supplemental Senior Indenture, the Master Subordinate Indenture and the Sixteenth Supplemental Subordinate Indenture found in Appendices C-2 through C-5.

“*Accreted Value*” means (a) with respect to any Capital Appreciation Senior Bonds or Capital Appreciation Subordinate Obligations, as the case may be, as of any date of calculation, the sum of the amount set forth in a Supplemental Senior Indenture or a Supplemental Subordinate Indenture, as the case may be, as the amount representing the initial principal amount of such Capital Appreciation Senior Bond or Capital Appreciation Subordinate Obligation, as the case may be, plus the interest accumulated, compounded and unpaid thereon as of the most recent compounding date, or (b) with respect to Original Issue Discount Senior Bonds or Original Issue Discount Subordinate Obligations, as the case may be, as of the date of calculation, the amount representing the initial public offering price of such Original Issue Discount Senior Bonds or Original Issue Discount Subordinate Obligations, as the case may be, plus the amount of the discounted principal which has accreted since the date of issue; in each case the Accreted Value will be determined in accordance with the provisions of the Supplemental Senior Indenture or the Supplemental Subordinate Indenture, as the case may be, authorizing the issuance of such Capital Appreciation Senior Bonds, Original Issue Discount Senior Bonds, Capital Appreciation Subordinate Obligations or Original Issue Discount Subordinate Obligations, as the case may be.

“*Act*” means Minnesota Statutes, Sections 473.601, *et seq.*, as amended from time to time.

“*Additional Senior Bonds*” means any additional Senior Bonds issued on a parity with the Senior Series 2016C Bonds and the Prior Senior Bonds with respect to Net Revenues, pursuant to the terms and provisions of the Master Senior Indenture.

“*Additional Subordinate Obligations*” means any additional Subordinate Obligations issued on a parity with the Subordinate Series 2016D/E Bonds, the Prior Subordinate Bonds and the Subordinate Short-Term Obligations with respect to Subordinate Revenues, pursuant to the terms and provisions of the Master Subordinate Indenture.

“*Aggregate Required Deposits*” means, for any month, the sum of the Required Deposits under all Supplemental Subordinate Indentures becoming due in such month.

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

“*Airport System*” means all airports, airport sites, and all equipment, accommodations and facilities for aerial navigation, flight, instruction and commerce under the jurisdiction and control of the Commission, including Minneapolis-St. Paul International Airport, the St. Paul Downtown Airport, the Flying Cloud Airport, the Crystal Airport, the Anoka County-Blaine Airport, the Lake Elmo Airport and the Airlake Airport, and any successor entities thereto, including all facilities and property related thereto, real or personal, under the jurisdiction or control of the Commission or in which the Commission has other rights or from which the Commission derives revenues at such location; and including or excluding, as the case may be, such property as the Commission may either acquire or which will be placed under its control, or divest or have removed from its control.

“*Authorized Commission Representative*” means the Executive Director of the Commission, or such other officer or employee of the Commission or other person which other officer, employee or person has been designated by the Executive Director as an Authorized Commission Representative by written notice delivered by the Executive Director to the Senior Trustee or the Subordinate Trustee, as the case may be.

“*Authorized Denominations*” means \$5,000 principal amount and integral multiples thereof.

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

“*Beneficial Owner*” means any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose of ownership of, any Series 2016C/D/E Bonds (including persons holding Series 2016C/D/E Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2016C/D/E Bonds for federal income tax purposes.

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

“*Bondholder,*” “*Holder,*” “*holder,*” “*Owner,*” “*owner,*” “*Registered Owner*” or “*registered owner*” means (a) for purposes of the Master Senior Indenture, the person in whose name any Senior Bond or Senior Bonds are registered on the books maintained by the Senior Registrar and will include any Credit Provider or Liquidity Provider to which a Senior Repayment Obligation is then owed, to the extent that such Senior Repayment Obligation is deemed to be a Senior Bond under the provisions of the Master Senior Indenture, and (b) for purposes of the Master Subordinate Indenture, the person in whose name any Subordinate Obligation or Subordinate Obligations are registered on the books maintained by the Subordinate Registrar and will include any Credit Provider or Liquidity Provider to which a Subordinate Repayment Obligation is then owed, to the extent that such Subordinate Repayment Obligation is deemed to be a Subordinate Obligation under the provisions of the Master Subordinate Indenture.

“*Business Day*” means a day on which banks located in New York, New York, in Minneapolis, Minnesota, and in the city in which the principal corporate trust office of the Senior Trustee or the Subordinate Trustee, as the case may be, is located are open, provided that such term may have a different meaning for any specified Series of Senior Bonds or Subordinate Obligations, as the case may be, if so provided by Supplemental Senior Indenture or Supplemental Subordinate Indenture, as the case may be.

“*Capital Appreciation Senior Bonds*” means Senior Bonds all or a portion of the interest on which is compounded and accumulated at the rates and on the dates set forth in a Supplemental Senior Indenture and is payable only upon redemption or on the maturity date of such Senior Bonds. Senior Bonds which

are issued as Capital Appreciation Senior Bonds, but later convert to Senior Bonds on which interest is paid periodically will be Capital Appreciation Senior Bonds until the conversion date and from and after such conversion date will no longer be Capital Appreciation Senior Bonds, but will be treated as having a principal amount equal to their Accreted Value on the conversion date.

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

“*Chair*” means the chair of the Commission or such other title as the Commission may from time to time assign for such position.

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

“*Commercial Paper*” means notes of the Commission with a maturity of not more than 270 days from the date of issuance and which are issued and reissued from time to time pursuant to a Senior Program or Subordinate Program, as the case may be, adopted by the Commission.

“*Commission*” or “*MAC*” means the Metropolitan Airports Commission, created under the provisions of the Act, and any successor to its function. Any action required or authorized to be taken by the Commission in the Master Senior Indenture or the Master Subordinate Indenture, as the case may be, may be taken by the Authorized Commission Representative with such formal approvals by the Commission as are required by the policies and practices of the Commission and applicable laws; provided, however, that any action taken by the Authorized Commission Representative in accordance with the provisions of the Master Senior Indenture or the Master Subordinate Indenture, as the case may be, will conclusively be deemed by the Senior Trustee or the Subordinate Trustee, as the case may be, and the Owners to be the act of the Commission without further evidence of the authorization thereof by the Commission.

“*Commission Construction Fund*” means the “Commission Construction Fund” established by the Commission and held and maintained by the Commission.

“*Commission Debt Service Fund*” means the Commission Debt Service Fund created by the Commission pursuant to Section 473.667 Subd. 4 of the Act and Resolution No. 922, adopted by the Commission on May 19, 1975, and held and maintained by the Commission.

“*Commission General Counsel*” means the in-house general counsel to the Commission who is responsible for representing the Commission on legal matters.

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

“*Costs*” or “*Costs of a Project*” means all costs of planning, developing, financing, constructing, installing, equipping, furnishing, improving, acquiring, enlarging and/or renovating a Project and placing the same in service and will include, but not be limited to the following: (a) costs of real or personal property, rights, franchises, easements and other interests in property, real or personal, and the cost of demolishing or removing structures and site preparation, infrastructure development, and landscaping and acquisition of land to which structures may be removed; (b) the costs of materials and supplies, machinery, equipment, vehicles, rolling stock, furnishings, improvements and enhancements; (c) labor and related costs and the costs of services provided, including costs of consultants, advisors, architects, engineers, accountants, planners, attorneys, financial and feasibility consultants, in each case, whether an employee of the Commission or Independent Consultant; (d) costs of the Commission properly allocated to a Project and with respect to costs of its employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable costs of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; (e) financing expenses, including costs related to issuance of and securing of Senior Bonds or Subordinate Obligations, costs of Credit Facilities, Liquidity Facilities, Senior Capitalized Interest, Subordinate Capitalized Interest, a Senior Debt Service Reserve Fund, if any, a Subordinate Debt Service Reserve Fund, if any, Senior Trustee’s fees and expenses, Subordinate Trustee’s fees and expenses; (f) any Senior Swap Termination Payments due in connection with a Series of Senior Bonds or the failure to issue such Series of Senior Bonds, or any Subordinate Swap Termination Payments due in connection with a Series of Subordinate Obligations or the failure to issue such Series of Subordinate Obligations, and (g) such other costs and expenses that can be capitalized under generally accepted accounting principles in effect at the time the cost is incurred by the Commission.

“*Costs of Issuance*” means all costs and expenses incurred by the Commission in connection with the issuance of the Series 2016C/D/E Bonds, including, but not limited to, costs and expenses of printing and copying documents, the official statement, the feasibility studies and the Series 2016C/D/E Bonds, any bond insurance premium, any reserve fund surety policy premium, underwriters’ compensation, and the fees, costs and expenses of rating agencies, the Senior Trustee, the Subordinate Trustee, counsel, accountants, financial advisors, feasibility consultants and other consultants.

“*Coverage Account*” means the “Coverage Account” created by the Commission within the Operating Fund pursuant to the Master Senior Indenture.

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

“*Credit Provider*” means the party obligated to make payment of principal of and interest on the Senior Bonds or the Subordinate Obligations, as the case may be, under a Credit Facility.

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

“*Designated Debt*” means a specific indebtedness, designated by the Commission, in which such debt will be offset with a Swap, such specific indebtedness to include all or any part of a Series of Senior Bonds or a Series or multiple Series of Subordinate Obligations, as the case may be.

“*Eighth Supplemental Senior Indenture*” means the Eighth Supplemental Trust Indenture, dated as of August 1, 2010, by and between the Commission and the Senior Trustee.

“*Eighth Supplemental Subordinate Indenture*” means the Eighth Supplemental Subordinate Trust Indenture, dated as of November 1, 2010, by and between the Commission and the Subordinate Trustee.

“*Eleventh Supplemental Subordinate Indenture*” means the Eleventh Supplemental Subordinate Trust Indenture, dated as of November 1, 2012, by and between the Commission and the Subordinate Trustee.

“*Executive Director*” means the person at a given time who is the executive director of the Commission or such other title as the Commission may from time to time assign for such position and the officer or officers succeeding to such position as certified to the Senior Trustee and the Subordinate Trustee by the Commission.

“*Facilities Construction Credit*” or “*Facilities Construction Credits*” means the amounts further described in the Master Senior Indenture resulting from an arrangement embodied in a written agreement of the Commission and another person or entity pursuant to which the Commission permits such person or entity to make a payment or payments to the Commission which is reduced by the amount owed by the Commission to such person or entity under such agreement, resulting in a net payment to the Commission by such person or entity. The “*Facilities Construction Credit*” will be deemed to be the amount owed by the Commission under such agreement which is “netted” against the payment of such person or entity to the Commission.

“*Fifteenth Supplemental Subordinate Indenture*” means the Fifteenth Supplemental Subordinate Trust Indenture, dated as of October 1, 2016, by and between the Commission and the Subordinate Trustee.

“*First Supplemental Senior Indenture*” means the First Supplemental Trust Indenture, dated as of June 1, 1998, as amended, by and between the Commission and the Senior Trustee.

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

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

“*Fourteenth Supplemental Subordinate Indenture*” means the Fourteenth Supplemental Subordinate Trust Indenture, dated as of November 1, 2014, by and between the Commission and the Subordinate Trustee.

“*General Obligation Revenue Bonds*” means all bonds of the Commission that may be issued under Section 473.667 of the Act as General Obligation Revenue Bonds.

“*General Obligation Revenue Bonds Resolutions*” means any resolutions adopted by the Commission authorizing the issuance of General Obligation Revenue Bonds in accordance with the Act.

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

“*Health Self-Insurance Trust Fund*” means the “Health Self-Insurance Trust Fund” established by the Commission and held and maintained by the Commission.

“*Implemented*” means, when used with respect to a Subordinate Program, a Subordinate Program which has been authorized and the terms thereof approved by a resolution adopted by the Commission and, with respect to which Subordinate Program, the provisions of the Master Subordinate Indenture have been complied with.

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

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

has been requested by the Commission to maintain a rating on the Subordinate Obligations and S&P is then maintaining a rating on any of the Subordinate Obligations.

“*Liquidity Facility*” means a letter of credit, line of credit, standby purchase agreement or other financial instrument, including a Credit Facility, which is available to provide funds with which to purchase Senior Bonds or Subordinate Obligations, as the case may be.

“*Liquidity Provider*” means the entity, including the Credit Provider, which is obligated to provide funds to purchase Senior Bonds or Subordinate Obligations, as the case may be, under the terms of a Liquidity Facility.

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

“*Maintenance and Operation Expenses of the Airport System*” means, for any given period, the total operation and maintenance expenses of the Airport System as determined in accordance with generally accepted accounting principles as in effect from time to time, excluding depreciation expense and any operation and maintenance expenses of the Airport System payable from moneys other than Revenues.

“*Maintenance and Operation Reserve Account*” means the “Maintenance and Operation Reserve Account” created by the Commission within the Operating Fund pursuant to the Master Senior Indenture.

“*Master Senior Indenture*” means the Master Trust Indenture, dated as of June 1, 1998, by and between the Commission and the Senior Trustee, as amended.

“*Master Subordinate Indenture*” means the Master Subordinate Trust Indenture dated as of October 1, 2000, by and between the Commission and the Subordinate Trustee, as amended.

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

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

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

“*Ninth Supplemental Senior Indenture*” means the Ninth Supplemental Trust Indenture, dated as of October 1, 2016, by and between the Commission and the Senior Trustee.

“*Ninth Supplemental Subordinate Indenture*” means the Ninth Supplemental Subordinate Trust Indenture, dated as of November 1, 2011, by and between the Commission and the Subordinate Trustee.

“*Non-Qualified Swap*” means any Swap which is not a Senior Qualified Swap or a Subordinate Qualified Swap.

“*Operating Fund*” means the “Operating Fund” established by the Commission and held and maintained by the Commission.

“*Original Issue Discount Senior Bonds*” means Senior Bonds which are sold at an initial public offering price of less than face value and which are specifically designated as Original Issue Discount Senior Bonds by the Supplemental Senior Indenture under which such Senior Bonds are issued.

“*Original Issue Discount Subordinate Obligations*” means Subordinate Obligations which are sold at an initial public offering price of less than face value and which are specifically designated as Original Issue Discount Subordinate Obligations by the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued.

“*Outstanding*” means:

(a) when used with respect to Senior Bonds, all Senior Bonds which have been authenticated and delivered under the Master Senior Indenture, except:

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

(ii) Senior Bonds deemed to be paid in accordance with the Master Senior Indenture;

(iii) Senior Bonds in lieu of which other Senior Bonds have been authenticated under the provisions of the Master Senior Indenture;

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

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

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

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

(b) when used with respect to Subordinate Obligations, all Subordinate Obligations which have been authenticated and delivered under the Master Subordinate Indenture, except:

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

(ii) Subordinate Obligations deemed to be paid in accordance with the Master Subordinate Indenture;

(iii) Subordinate Obligations in lieu of which other Subordinate Obligations have been authenticated under the provisions of the Master Subordinate Indenture;

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

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

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

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

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

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

“*Permitted Investments*” means:

(a) with respect to the Master Senior Indenture:

(i) those investments specified in Minnesota Statutes, Sections 118A.01 *et seq.*, and 473.606 Subd. 3, and which further comply with any investment policy of the Commission; and

(ii) any of the following, but only to the extent Minnesota Statutes, Sections 118A.01 *et seq.*, and 473.606 Subd. 3, as amended from time to time, permits the Commission to set forth in a Supplemental Senior Indenture or resolution entered into in connection with the issuance of a Series of Senior Bonds to provide for other permitted investments:

(A) United States Obligations;

(B) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export-Import Bank of the United States;

Federal Financing Bank; Government National Mortgage Association; Federal National Mortgage Association; Student Loan Marketing Association; Federal Farm Credit Bureau; Farmers Home Administration; Federal Home Loan Mortgage Corporation; and Federal Housing Administration;

(C) Direct and general long-term obligations of any state, which obligations are rated in one of the two highest Rating Categories by one or more of the Rating Agencies;

(D) Direct and general short-term obligations of any state which obligations are rated in the highest Rating Category by one or more of the Rating Agencies;

(E) Interest-bearing demand or time deposits (including certificates of deposit) or interests in money market portfolios issued by state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC") or by savings and loan associations that are members of the FDIC, which deposits or interests must either be (1) continuously and fully insured by FDIC and with banks that are rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies; or (2) fully secured by obligations described in item (a)(ii)(A) or (B) of this definition of Permitted Investments (a) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (b) held by the Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (b) subject to a perfected first lien in favor of the Senior Trustee, and (d) free and clear from all third-party liens;

(F) Long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the two highest Rating Categories by one or more of the Rating Agencies;

(G) Repurchase agreements which are (1) entered into with banks or trust companies organized under state law, national banking associations, insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and which either are members of the Security Investors Protection Corporation or with a dealer or parent holding company that has an investment grade rating from one or more of the Rating Agencies and (2) fully secured by investments specified in items (a)(ii)(A) or (B) of this definition of Permitted Investments (a) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements, (b) held by the Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (c) subject to a perfected first lien in favor of the Senior Trustee and (d) free and clear from all third-party liens;

(H) Prime commercial paper of a United States corporation, finance company or banking institution rated in the highest short-term Rating Category of one or more of the Rating Agencies;

(I) Shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940, as amended) or shares in a regulated investment company (as defined in Section 851(a) of the Code) that is (1) a money market fund that has been rated in one of the two highest Rating Categories by one or more of the Rating Agencies or (2) a money market fund or account of the Senior Trustee or any state or federal bank that is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or whose one bank holding company parent is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or that has a combined capital and surplus of not less than \$50,000,000;

(J) Interest bearing notes issued by a banking institution having a combined capital and surplus of at least \$500,000,000 and whose senior debt is in the highest Rating Category by one or more of the Rating Agencies;

(K) Public housing bonds issued by public agencies which are either unconditionally guaranteed as to principal and interest by the United States of America, or rated in the highest Rating Category by one or more of the Rating Agencies;

(L) Obligations issued or guaranteed by Private Export Funding Corporation, Resolution Funding Corporation and any other instrumentality or agency of the United States of America;

(M) Investment Agreements;

(N) any other type of investment consistent with Commission policy in which the Commission directs the Senior Trustee to invest provided that there is delivered to the Senior Trustee a certificate of an Authorized Commission Representative stating that each of the Rating Agencies then maintaining a rating on the Senior Bonds has been informed of the proposal to invest in such investment and each of such Rating Agencies has confirmed that such investment will not adversely affect the rating then assigned by such rating agency to any of the Senior Bonds; and

(O) any other investment which is a permitted investment of the Commission in accordance with the laws of the State; and

(b) with respect to the Master Subordinate Indenture:

(i) those investments specified in Minnesota Statutes, Sections 118A.01 et seq., and 473.606 Subd. 3, and which further comply with any investment policy of the Commission; and

(ii) any of the following, but only to the extent Minnesota Statutes, Sections 118A.01 et seq., and 473.606 Subd. 3, as amended from time to time, permits the Commission to set forth in a Supplemental Subordinate Indenture or resolution entered into in connection with the issuance of a Series of Subordinate Obligations to provide for other permitted investments:

(A) United States Obligations;

(B) Obligations, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following instrumentalities or agencies of the United States of America: Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Financing Bank; Government National Mortgage Association; Federal National Mortgage Association; Student Loan Marketing Association; Federal Farm Credit Bureau; Farmers Home Administration; Federal Home Loan Mortgage Corporation; and Federal Housing Administration;

(C) direct and general long-term obligations of any state, which obligations are rated in one of the two highest Rating Categories by one or more of the Rating Agencies;

(D) direct and general short-term obligations of any state which obligations are rated in the highest Rating Category by one or more of the Rating Agencies;

(E) interest-bearing demand or time deposits (including certificates of deposit) or interests in money market portfolios issued by state banks or trust companies or national banking associations that are members of the Federal Deposit Insurance Corporation ("FDIC") or by savings and loan associations that are members of the FDIC, which deposits or interests must either be (1) continuously and fully insured by FDIC and with banks that are rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies; or (2) fully secured by obligations described in item (b)(ii)(A) or (B) of this definition of Permitted Investments (a) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to the principal amount of the investment, (b) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (c) subject to a perfected first lien in favor of the Subordinate Trustee, and (4) free and clear from all third-party liens;

(F) long-term or medium-term corporate debt guaranteed by any corporation that is rated in one of the two highest Rating Categories by one or more of the Rating Agencies;

(G) repurchase agreements which are (1) entered into with banks or trust companies organized under state law, national banking associations, insurance companies or government bond dealers reporting to, trading with, and recognized as a primary dealer by, the Federal Reserve Bank of New York and which either are members of the Security Investors Protection Corporation or with a dealer or parent holding company that has an investment grade rating from one or more of the Rating Agencies and (2) fully secured by investments specified in items (b)(ii)(A) or (B) of this definition of Permitted Investments (a) which are valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at least equal to the amount invested in the repurchase agreements, (b) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (c) subject to a perfected first lien in favor of the Subordinate Trustee and (d) free and clear from all third-party liens;

(H) prime commercial paper of a United States corporation, finance company or banking institution rated in the highest short-term Rating Category of one or more of the Rating Agencies;

(I) shares of a diversified open-end management investment company (as defined in the Investment Company Act of 1940, as amended) or shares in a regulated investment company (as defined in Section 851(a) of the Code) that is (1) a money market fund that has been rated in one of the two highest Rating Categories by one or more of the Rating Agencies or (2) a money market fund or account of the Subordinate Trustee or any state or federal bank that is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or whose one bank holding company parent is rated at least in the highest short-term Rating Category by one or more of the Rating Agencies or is rated in one of the two highest long-term Rating Categories by one or more of the Rating Agencies, or that has a combined capital and surplus of not less than \$50,000,000;

(J) interest bearing notes issued by a banking institution having a combined capital and surplus of at least \$500,000,000 and whose senior debt is in the highest Rating Category by one or more of the Rating Agencies;

(K) public housing bonds issued by public agencies which are either unconditionally guaranteed as to principal and interest by the United States of America, or rated in the highest Rating Category by one or more of the Rating Agencies;

(L) obligations issued or guaranteed by Private Export Funding Corporation, Resolution Funding Corporation and any other instrumentality or agency of the United States of America;

(M) Investment Agreements;

(N) any other type of investment consistent with Commission policy in which the Commission directs the Subordinate Trustee to invest provided that there is delivered to the Subordinate Trustee a certificate of an Authorized Commission Representative stating that each of the Rating Agencies then maintaining a rating on the Subordinate Obligations has been informed of the proposal to invest in such investment and each of such Rating Agencies has confirmed that such investment will not adversely affect the rating then assigned by such rating agency to any of the Subordinate Obligations; and

(O) any other investment which is a permitted investment of the Commission in accordance with the laws of the State.

Notwithstanding anything to the contrary in the definition of Permitted Investments, with respect to the Master Subordinate Indenture, at any time a rating is required on a Permitted Investment, such rating will be received from S&P, but only if S&P has been requested by the Commission to maintain a rating on the Subordinate Obligations and S&P is then maintaining a rating on any of the Subordinate Obligations.

“*PFC Eligible Bonds*” means Senior Bonds and/or Subordinate Obligations issued to finance projects authorized to be financed with PFCs.

“*PFC Act*” means the Aviation Safety and Capacity Expansion Act of 1990, as amended

“*PFC Regulations*” means the regulations promulgated under the PFC Act (including 14 CFR Part 158).

“*PFC Resolution*” means Resolution No. 2021 adopted by the Commission on May 19, 2003, as amended by Resolution No. 2037 adopted by the Commission on April 19, 2004, as may be further amended or supplemented from time to time.

“*Prior Senior Bonds*” means, collectively, the Senior Series 2009A Bonds, the Senior Series 2009B Bonds, the Senior Series 2010A Bonds, the Senior Series 2010B Bonds and the Senior Series 2016A Bonds.

“*Prior Subordinate Bonds*” means, collectively, the Subordinate Series 2010C Bonds, the Subordinate Series 2010D Bonds, the Subordinate Series 2011A Bonds, the Subordinate Series 2012A Bonds, the Subordinate Series 2012B Bonds, the Subordinate Series 2014A Bonds, the Subordinate Series 2014B Bonds and the Subordinate Series 2016B Bonds.

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

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

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

“*Rebate Fund*” means any fund created by the Commission pursuant to a Supplemental Senior Indenture or a Supplemental Subordinate Indenture, as the case may be, in connection with the issuance of any Series of Senior Bonds or Subordinate Obligations, as the case may be, for the purpose of complying with the Code and providing for the collection and holding for and payment of amounts to the United States of America.

“*Record Date*” means, with respect to any Series of Senior Bonds or Subordinate Obligations, as the case may be, the record date as specified in the Supplemental Senior Indenture or the Supplemental Subordinate Indenture, as the case may be, which provides for the issuance of such Series. With respect to the Series 2016C/D/E Bonds, “*Record Date*” means for a January 1 Interest Payment Date the preceding December 15 and for a July 1 Interest Payment Date the preceding June 15.

“*Refunding Senior Bonds*” means any Senior Bonds issued pursuant to the Master Senior Indenture to refund or defease all or a portion of any series of Outstanding Senior Bonds, any Subordinated Obligations, or any General Obligation Revenue Bonds.

“Refunding Subordinate Obligations” means any Subordinate Obligations issued pursuant to the Master Subordinate Indenture to refund or defease all or a portion of any series of Outstanding Subordinate Obligations, Senior Bonds, or any General Obligation Revenue Bonds.

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

“Required Deposits” means, with respect to any Series of Subordinate Obligations, the amount determined in accordance with the terms of the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued and/or incurred, required to be deposited into funds and accounts created under such Supplemental Subordinate Indenture for the purpose of paying principal and interest on Subordinate Obligations or accumulating funds from which to make such payments and to pay other obligations specifically secured by the Subordinate Revenues under such Supplemental Subordinate Indenture. On or before the Payment Date, if any, in each month, the Subordinate Trustee will determine the Aggregate Required Deposits from the Required Deposits described under each Supplemental Subordinate Indenture.

“Responsible Officer” means an officer or assistant officer of the Senior Trustee or the Subordinate Trustee, as the case may be, assigned by the Senior Trustee to administer the Master Senior Indenture or the Subordinate Trustee to administer the Master Subordinate Indenture, as the case may be.

“Revenues” means, except to the extent specifically excluded herefrom, all income, receipts, earnings and revenues received by the Commission from the operation and ownership of the Airport System, as determined in accordance with generally accepted accounting principles, as modified from time to time, including, but not limited to, (a) rates, tolls, fees, rentals, charges and other payments made to or owed to the Commission for the use or availability of the Airport System, and (b) amounts received or owed from the sale or provision of supplies, materials, goods and services provided by or made available by the Commission, including rental or business interruption insurance proceeds, received by, held by, accrued to or entitled to be received by the Commission or any successor thereto from the possession, management, charge, superintendence and control of the Airport System and its related facilities or activities and undertakings related thereto or from any other facilities wherever located with respect to which the Commission receives payments which are attributable to the Airport System or activities or undertakings related thereto. Additionally, “Revenues” will also include amounts received from tenants representing the principal portion of payments received pursuant to certain self-liquidating lease agreements, all income, receipts and earnings (except any earning allowed to be pledged by the terms of a Supplemental Senior Indenture or Supplemental Subordinate Indenture, as the case may be, to fund a Senior Construction Fund or a Subordinate Construction Fund, as the case may be) from the investment of amounts held in the Operating Fund, any Senior Construction Fund, any Subordinate Construction Fund, any Senior Debt Service Fund or Subordinate Debt Service Fund (except capitalized interest on deposit therein), any Senior Debt Service Reserve Fund or Subordinate Debt Service Reserve Fund, the Commission Construction Fund, and such additional revenues, if any, as are designated as “Revenues” under the terms of any Supplemental Senior Indenture. The following, including any investment earnings thereon, are specifically excluded from Revenues: (i) any amounts received by the Commission from the imposition of ad valorem taxes (except ad valorem taxes which have been specifically levied to pay principal and interest on the General Obligation Revenue Bonds or to pay Maintenance and Operation Expenses of the Airport System), (ii) gifts, grants and other income (including any investment earnings thereon) otherwise included in this definition of “Revenues” which are restricted by their terms to purposes inconsistent with the payment of debt service on the Senior Bonds or the Subordinate Obligations, (iii) Net Proceeds and other insurance proceeds, to the extent the use of such Net Proceeds or other proceeds is restricted by the terms of the policy under which they are paid to a use inconsistent with the payment of debt service on the Senior Bonds or the Subordinate

Obligations (except to the extent Net Proceeds are utilized to pay Maintenance and Operating Expenses of the Airport System), (iv) any Transfer, and (v) Special Facilities Revenue (to the extent there is no excess Special Facilities Revenue as described in the Master Senior Indenture). In addition, the following, including any investment earnings thereon, are specifically excluded from "Revenues," unless designated as "Revenues" under the terms of a Supplemental Senior Indenture or pursuant to a certificate of an Authorized Commission Representative: (a) any Senior Swap Termination Payments paid to the Commission pursuant to a Senior Qualified Swap or any Subordinate Swap Termination Payments paid to the Commission pursuant to a Subordinate Qualified Swap, (b) Facilities Construction Credits, (c) Passenger Facility Charges, (d) investment income derived from any moneys or securities which may be placed in escrow or trust to defease Senior Bonds or Subordinate Obligations, (e) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Code and (f) capitalized interest. Further, interest earnings or other investment earnings on any Senior Construction Fund or Subordinate Construction Fund, as the case may be, established by any Supplemental Senior Indenture or Supplemental Subordinate Indenture, as the case may be, are specifically excluded from "Revenues," unless otherwise provided for in such Supplemental Senior Indenture or Supplemental Subordinate Indenture, as the case may be.

"*Second Supplemental Subordinate Indenture*" means the Second Supplemental Subordinate Trust Indenture, dated as of May 1, 2001, by and between the Commission and the Subordinate Trustee.

"*Senior Aggregate Annual Debt Service*" means for any Fiscal Year the aggregate amount of Senior Annual Debt Service on all Outstanding Senior Bonds and Unissued Senior Program Bonds. For purposes of calculating Senior Aggregate Annual Debt Service, the following components of debt service will be computed as follows:

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

(b) if all or any portion or portions of an Outstanding Series of Senior Bonds, or Unissued Senior Program Bonds constitute Balloon Indebtedness (excluding Senior Program Bonds or Unissued Senior Program Bonds to which subsection (f) applies), then, for purposes of determining Senior Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness will, unless otherwise provided in the Supplemental Senior Indenture pursuant to which such Balloon Indebtedness is issued or unless provision (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service funding payments commencing not later than the year following the year in which such Balloon Indebtedness was issued, and extending not later than 30 years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another

similar index selected by the Commission, or if the Commission fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Senior Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any Series of Senior Bonds, Unissued Senior Program Bonds or Senior Program Bonds only a portion of which constitutes Balloon Indebtedness, the remaining portion will be treated as described in (a) above or such other provision of this definition as will be applicable and, with respect to any Series or Senior Bonds, Unissued Senior Program Bonds or Senior Program Bonds or that portion of a Series thereof which constitutes Balloon Indebtedness, all funding requirements of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness will be treated as described in (a) above or such other provision of this definition as will be applicable;

(c) any maturity of Senior Bonds which constitutes Balloon Indebtedness as described in provision (b) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Senior Aggregate Annual Debt Service is made, will be assumed to become due and payable on the stated maturity date and provision (b) above will not apply thereto unless there is delivered to the entity making the calculation of Senior Aggregate Annual Debt Service a certificate of an Authorized Commission Representative stating that the Commission intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Commission is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness will be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms will be used for purposes of calculating Senior Aggregate Annual Debt Service, provided that such assumption will not result in an interest rate lower than that which would be assumed under provision (b) above and will be amortized over a term of not more than 30 years from the date of refinancing;

(d) if any Outstanding Senior Bonds (including Senior Program Bonds) or any Senior Bonds which are then proposed to be issued constitute Senior Tender Indebtedness (but excluding Senior Program Bonds or Senior Bonds as to which a Senior Qualified Swap is in effect and to which subsection (g) or (h) applies), then, for purposes of determining Senior Aggregate Annual Debt Service, Senior Tender Indebtedness will be treated as if the principal amount of such Senior Bonds were to be amortized over a term of not more than 30 years commencing in the year in which such Series is first subject to tender and with substantially level Senior Annual Debt Service payments and extending not later than 30 years from the date such Senior Tender Indebtedness was originally issued; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Commission, or if the Commission fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Senior Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; and with respect to all funding requirements of principal and interest payments becoming due prior to the year in which such Senior Tender Indebtedness is first subject to tender, such payments will be treated as described in (a) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date will be determined as provided in (e) or (f) below, as appropriate;

(e) if any Outstanding Senior Bonds constitute Variable Rate Senior Indebtedness, including obligations described in subsection (h)(ii) to the extent it applies (except to the extent subsection (b) or (c) relating to Balloon Indebtedness or (d) relating to Senior Tender Indebtedness or subsection (h)(i) relating to Synthetic Fixed Rate Debt applies), the interest rate on such Senior Bonds will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Commission, or if the Commission fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for variable-rate Senior Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(f) with respect to any Senior Program Bonds or Unissued Senior Program Bonds (i) debt service on Senior Program Bonds then Outstanding will be determined in accordance with such of the foregoing provisions of this definition as will be applicable, and (ii) with respect to Unissued Senior Program Bonds, it will be assumed that the full principal amount of such Unissued Senior Program Bonds will be amortized over a term certified by an Authorized Commission Representative at the time the initial Senior Program Bonds of such Senior Program are issued to be the expected duration of such Senior Program or, if such expectations have changed, over a term certified by an Authorized Commission Representative to be the expected duration of such Senior Program at the time of such calculation, but not to exceed 30 years from the date the initial Senior Program Bonds of such Senior Program are issued and it will be assumed that debt service will be paid in substantially level Senior Annual Debt Service payments over such assumed term; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Commission, or if the Commission fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Senior Bonds of a corresponding term issued under the Master Senior Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Senior Bonds bear interest which is or is not excluded from gross income for federal income tax purposes;

(g) debt service on Senior Repayment Obligations, to the extent such obligations constitute Senior Bonds under the Master Senior Indenture, will be calculated as provided in the Master Senior Indenture;

(h) (i) for purposes of computing the Senior Aggregate Annual Debt Service of Senior Bonds which constitute Synthetic Fixed Rate Debt, the interest payable thereon will, if the Commission elects, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable; or, if the Commission fails to elect such rate, then it will be deemed to be the fixed interest rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Commission;

(ii) for purposes of computing the Senior Aggregate Annual Debt Service of Senior Bonds with respect to which a Swap has been entered into whereby the Commission has agreed to pay the floating variable rate thereunder, no fixed interest rate amounts payable on the Senior Bonds to which such Swap pertains will be included in

the calculation of Senior Aggregate Annual Debt Service, and the interest rate with respect to such Senior Bonds will, if the Commission elects, be the sum of that rate as determined in accordance with subsection (e) relating to Variable Rate Senior Indebtedness plus the difference between the interest rate on the Designated Debt and the rate received from the Swap Provider;

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

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

(k) for purposes of computing Senior Aggregate Annual Debt Service on the General Obligation Revenue Bonds, the preceding subsections of this definition will apply, except that the term “Senior Bonds” will be read to mean the General Obligation Revenue Bonds.

“*Senior Aggregate Annual Debt Service For Reserve Requirement*” means the computation of Senior Aggregate Annual Debt Service for a Senior Debt Service Reserve Fund with respect to all Outstanding Senior Bonds participating in an identified Senior Debt Service Reserve Fund in the then current or any future Fiscal Year, excluding the General Obligation Revenue Bonds, with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Senior Aggregate Annual Debt Service For Reserve Requirement for the respective Senior Debt Service Reserve Fund, if any, for a Series of Senior Bonds, the annual debt service with respect to any Variable Rate Senior Indebtedness will, upon the issuance of such Series participating in a Senior Debt Service Reserve Fund, be calculated on the basis of the assumptions set forth in subsection (e) of the definition of Senior Aggregate Annual Debt Service, and the amount so determined will not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Senior Aggregate Annual Debt Service For Reserve Requirement, the annual debt service requirements assumed at the time of issuance of a Series of Senior Bonds containing Balloon Indebtedness or Senior Tender Indebtedness will not, with respect to such Series, require subsequent increases.

“*Senior Annual Debt Service*” means, with respect to any Senior Bond and General Obligation Revenue Bond, the aggregate amount of Revenues required to be set aside in the respective Senior Debt Service Fund or the Commission Debt Service Fund during the Fiscal Year to satisfy the funding requirements for future payments of principal and interest, and if a Senior Qualified Swap is in effect for any Senior Bond, plus the amount payable by the Commission (or the Senior Trustee) under the Senior Qualified Swap in accordance with the terms thereof, less any amount to be received by the Commission from the Senior Qualified Swap Provider pursuant to the Senior Qualified Swap, calculated using the principles and assumptions set forth in the definition of Senior Aggregate Annual Debt Service.

“*Senior Authorized Amount*” means, when used with respect to Senior Bonds, including Senior Bonds issued pursuant to a Senior Program, the maximum Senior Principal Amount of Senior Bonds

which is then authorized by a resolution or Supplemental Senior Indenture adopted by the Commission pursuant to the Master Senior Indenture to be Outstanding at any one time under the terms of such Senior Program or Supplemental Senior Indenture. If the maximum Senior Principal Amount of Senior Bonds or Senior Program Bonds authorized by a preliminary resolution or form of Supplemental Senior Indenture approved by the Commission pursuant to the Master Senior Indenture exceeds the maximum Senior Principal Amount of Senior Bonds set forth in the final definitive Supplemental Senior Indenture executed and delivered by the Commission pursuant to which such Senior Bonds are issued or such Senior Program is established, the Senior Principal Amount of such Senior Bonds or Senior Program Bonds as is set forth in said final definitive Supplemental Senior Indenture as executed and delivered by the Commission will be deemed to be the “Senior Authorized Amount.”

“*Senior Bond*” or “*Senior Bonds*” means any debt obligation of the Commission issued as a taxable or tax-exempt obligation under and in accordance with the provisions of the Master Senior Indenture, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Commission, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Senior Repayment Obligations to the extent provided in the Master Senior Indenture. The term “Senior Bond” or “Senior Bonds” in the Master Senior Indenture does not include any Subordinated Obligation; provided, however, that the Commission may provide in a Supplemental Senior Indenture to the Master Senior Indenture that Subordinated Obligations may be thenceforth issued pursuant to the Master Senior Indenture having the terms applicable to the Senior Bonds, except that such Subordinated Obligations will be junior and subordinate in payment of such Subordinated Obligations from the Net Revenues. The term “Senior Bond” and “Senior Bonds” includes Senior Program Bonds.

“*Senior Capitalized Interest*” means the amount of interest on Senior Bonds, if any, funded from the proceeds of the Senior Bonds or other monies that are deposited with the Senior Trustee in the Senior Debt Service Fund as will be described in a Supplemental Senior Indenture upon issuance of Senior Bonds to be used to pay interest on the Senior Bonds.

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

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

“*Senior Debt Service Fund*” or “*Senior Debt Service Funds*” means a Senior Debt Service Fund or any of the Senior Debt Service Funds required to be created as provided by the Master Senior Indenture.

“*Senior Debt Service Reserve Fund*” means any Senior Debt Service Reserve Fund created by the Commission pursuant to a Supplemental Senior Indenture in connection with the issuance of any Series of Senior Bonds and that is required to be funded for the purpose of providing additional security for such Series of Senior Bonds and under certain circumstances to provide additional security for such other designated Series of Senior Bonds issued pursuant to the terms of the Master Senior Indenture and as specified in any Supplemental Senior Indenture.

“*Senior Event of Default*” means any occurrence or event specified as an “Senior Event of Default” in the Master Senior Indenture. See “APPENDIX C-2—SUMMARY OF THE MASTER SENIOR INDENTURE—Defaults and Remedies.”

“*Senior Indenture*” means, collectively, the Master Senior Indenture, together with all Supplemental Senior Indentures, including the Tenth Supplemental Senior Indenture.

“*Senior Maximum Aggregate Annual Debt Service*” means the maximum amount of Senior Aggregate Annual Debt Service with respect to all Senior Bonds, Unissued Senior Program Bonds, the Senior Authorized Amount of all Senior Bonds then proposed to be issued and General Obligation Revenue Bonds in the then current or any future Fiscal Year.

“*Senior Maximum Aggregate Annual Debt Service For Reserve Requirement*” means the computation of Senior Maximum Aggregate Annual Debt Service for a Senior Debt Service Reserve Fund with respect to all Outstanding Senior Bonds participating in an identified Senior Debt Service Reserve Fund in the then current or any future Fiscal Year, excluding General Obligation Revenue Bonds, with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Senior Maximum Aggregate Annual Debt Service For Reserve Requirement for the respective Senior Debt Service Reserve Fund, if any, for a Series of Senior Bonds the annual debt service with respect to any Variable Rate Senior Indebtedness will, upon the issuance of such Series participating in an identified Senior Debt Service Reserve Fund, be calculated on the basis of the assumptions set forth in subsection (e) of the definition of Senior Aggregate Annual Debt Service, and the amount so determined will not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Senior Maximum Aggregate Annual Debt Service For Reserve Requirement, the annual debt service requirements assumed at the time of issuance of a Series of Senior Bonds containing Balloon Indebtedness or Senior Tender Indebtedness will not, with respect to such Series, require subsequent increases.

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

“*Senior Paying Agent*” or “*Senior Paying Agents*” means, with respect to the Senior Bonds or any Series of Senior Bonds, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Senior Indenture or a resolution of the Commission as the place where such Senior Bonds will be payable. The Senior Trustee will act as Senior Paying Agent with respect to the Senior Series 2016C Bonds.

“*Senior Principal Amount*” or “*principal amount*” means, as of any date of calculation, (a) with respect to any Capital Appreciation Senior Bond, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), (b) with respect to any Original Issue Discount Senior Bond, the Accreted Value thereof, unless the Supplemental Senior Indenture under which such Senior Bond was issued will specify a different amount, in which case, the terms of the Supplemental Senior Indenture will control, and (c) with respect to any other Senior Bonds, the principal amount of such Senior Bond payable at maturity.

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

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

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

“*Senior Qualified Swap Provider*” means a financial institution whose senior long-term debt obligations, or whose obligations under any Senior Qualified Swap are (i) guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least “A1,” in the case of Moody’s and “A+,” in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (ii) fully secured by obligations described in items (a)(ii)(A) or (B) of the definition of Permitted Investments which are (A) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (B) held by the Senior Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Senior Trustee, (C) subject to a perfected first lien on behalf of the Senior Trustee, and (D) free and clear from all third-party liens.

“*Senior Registrar*” means, with respect to the Senior Bonds or any Series of Senior Bonds, the bank, trust company or other entity designated in a Supplemental Senior Indenture or a resolution of the Commission to perform the function of Registrar under the Master Senior Indenture or any Supplemental Senior Indenture, and which bank, trust company or other entity has accepted the position in accordance with the Master Senior Indenture. The Senior Trustee will act as Senior Registrar with respect to the Senior Series 2016C Bonds.

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

“*Senior Reserve Fund*” means the Senior Debt Service Reserve Fund established and maintained by the Senior Trustee pursuant to the provisions of the Master Senior Indenture and the First Supplemental Senior Indenture. The Senior Reserve Fund Participating Bonds are secured by the Senior Reserve Fund.

“*Senior Reserve Fund Participating Bonds*” means, collectively, the Prior Senior Bonds, the Senior Series 2016C Bonds and any additional Senior Bonds the Commission elects to participate in the Senior Reserve Fund.

“*Senior Reserve Requirement*” means, an amount equal to the lesser of (a) Senior Maximum Aggregate Annual Debt Service for Reserve Requirement for all Series of Senior Bonds participating in the Senior Debt Service Reserve Fund, (b) ten percent (10%) of the principal amount of the Series of Senior Bonds that have been issued and are participating in the Senior Debt Service Reserve Fund, less the amount of original issue discount with respect to such Series of Senior Bonds if such original issue

discount exceeded 2% on such Series of Senior Bonds at the time of their original sale and (c) 125% of the average Senior Aggregate Annual Debt Service for Reserve Requirement for all Series of Senior Bonds participating in the Senior Debt Service Reserve Fund.

“*Senior Series 2009A Bonds*” means the \$23,075,000 original principal amount of Senior Bonds issued under the Master Senior Indenture and the Seventh Supplemental Senior Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission, Senior Airport Revenue Refunding Bonds, Series 2009A.”

“*Senior Series 2009B Bonds*” means the \$128,835,000 original principal amount of Senior Bonds issued under the Master Senior Indenture and the Seventh Supplemental Senior Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission, Senior Airport Revenue Refunding Bonds, Series 2009B.”

“*Senior Series 2010A Bonds*” means the \$62,210,000 original principal amount of Senior Bonds issued under the Master Senior Indenture and the Eighth Supplemental Senior Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission, Senior Airport Revenue Bonds, Series 2010A.”

“*Senior Series 2010B Bonds*” means the \$73,475,000 original principal amount of Senior Bonds issued under the Master Senior Indenture and the Eighth Supplemental Senior Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission, Senior Airport Revenue Bonds, Series 2010B.”

“*Senior Series 2016A Bonds*” means the \$330,690,000 original principal amount of Senior Bonds issued under the Master Senior Indenture and the Ninth Supplemental Senior Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission, Senior Airport Revenue Refunding Bonds, Series 2016A.”

“*Senior Series 2016C Bonds*” means the \$207,250,000 original principal amount of Senior Bonds to be issued under the Master Senior Indenture and the Tenth Supplemental Senior Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission, Senior Airport Revenue Bonds, Series 2016C.”

“*Series 2016C/D Bonds*” means, collectively, the Senior Series 2016C Bonds and the Subordinate Series 2016D Bonds.

“*Series 2016C/D Underwriters*” means, collectively, RBC Capital Markets, LLC, U.S. Bancorp Investments, Inc., Barclays Capital Inc., Citigroup Global Markets Inc., Piper Jaffray & Co., and Wells Fargo Bank, National Association, the underwriters of the Series 2016C/D Bonds.

“*Series 2016C/D/E Bonds*” means, collectively, the Senior Series 2016C Bonds, the Subordinate Series 2016D Bonds and the Subordinate Series 2016E Bonds.

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

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

“*Senior Trustee*” means Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, N.A.), until a successor replaces it and, thereafter, means such successor.

“*Serial Senior Bonds*” means Senior Bonds for which no sinking installment payments are provided.

“*Serial Subordinate Obligations*” means Subordinate Obligations for which no sinking installment payments are provided.

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

“*Seventh Supplemental Senior Indenture*” means the Seventh Supplemental Trust Indenture, dated as of November 1, 2009, by and between the Commission and the Senior Trustee.

“*Significant Portion*” means, for purposes of the Master Senior Indenture, any Airport Facilities or portions thereof which, if such facilities had been sold or disposed of by the Commission at the beginning of an annual period which includes the month of commencement of the 12-month period ending on the day of such disposition would have resulted in a reduction in Net Revenues for such annual period of more than 5% when the actual Net Revenues for such annual period are decreased by the Revenues directly attributable to such Airport Facilities and increased by the expenses of the Commission directly attributable to such Airport Facilities. The Commission will notify each of the Rating Agencies that the Commission has requested ratings from and who are then maintaining a rating on any of the Senior Bonds prior to the selling or disposing of a Significant Portion of any Airport Facilities or portions thereof.

“*Sixteenth Supplemental Subordinate Indenture*” means the Sixteenth Supplemental Subordinate Trust Indenture, to be dated as of December 1, 2016, by and between the Commission and the Subordinate Trustee.

“*S&P*” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation will for any reason no longer perform the functions of a securities rating agency, “S&P” will be deemed to refer to any other nationally recognized securities rating agency designated by the Commission.

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

“*Special Facilities Revenue*” means the contractual payments and all other revenues (other than ground rentals relating to such Special Facility) derived by or available to the Commission from a Special Facility which are pledged to secure Special Facility Obligations.

“*Special Facility Obligations*” means bonds or other debt instruments issued pursuant to an indenture other than the Master Senior Indenture or the Master Subordinate Indenture to finance Special Facilities and which are not secured by nor payable from a lien on and pledge of the Net Revenues but which are secured by revenues derived from Special Facilities.

“*Specified Project*” means a Project or a group of alternative Projects which are described in a certificate of an Authorized Commission Representative delivered to the Consultant preparing the certificate described in the Master Senior Indenture, the revenues and expenses of which Project or of the alternative Projects are to be taken into account by such Consultant in preparing the certificate.

“*State*” means the State of Minnesota.

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

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

(b) if all or any portion or portions of an Outstanding Series of Subordinate Obligations or Unissued Subordinate Program Obligations constitute Balloon Indebtedness, then, for purposes of determining Subordinate Aggregate Annual Debt Service, each maturity which constitutes Balloon Indebtedness will, unless otherwise provided in the Supplemental Subordinate Indenture pursuant to which such Balloon Indebtedness is issued or unless provision (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of not more than 30 years and with substantially level annual debt service payments commencing not later than the year following the year in which such Balloon Indebtedness was issued, and extending not later than 30 years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Commission, or if the Commission fails to select

a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any Series of Subordinate Obligations, Unissued Subordinate Program Obligations or Subordinate Program Obligations, only a portion of which constitutes Balloon Indebtedness, the remaining portion will be treated as described in (a) above or such other provision of this definition as will be applicable and, with respect to any Series, Unissued Subordinate Program Obligations or Subordinate Program Obligations, or that portion of a Series thereof which constitutes Balloon Indebtedness, all payments of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness will be treated as described in (a) above or such other provision of this definition as will be applicable;

(c) any maturity of Subordinate Obligations which constitutes Balloon Indebtedness as described in provision (b) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation of Subordinate Aggregate Annual Debt Service is made, will be assumed to become due and payable on the stated maturity date and provision (b) above will not apply thereto unless there is delivered to the entity making the calculation of Subordinate Aggregate Annual Debt Service a certificate of an Authorized Commission Representative stating that the Commission intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the Commission is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness will be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms will be used for purposes of calculating Subordinate Aggregate Annual Debt Service, provided that such assumption will not result in an interest rate lower than that which would be assumed under provision (b) above and will be amortized over a term of not more than 30 years from the date of refinancing;

(d) if any Outstanding Subordinate Obligations (including Subordinate Program Obligations) or any Subordinate Obligations which are then proposed to be issued constitute Subordinate Tender Indebtedness (but excluding Subordinate Program Obligations or Subordinate Obligations as to which a Subordinate Qualified Swap is in effect and to which subsection (g) or (h) applies), then, for purposes of determining Subordinate Aggregate Annual Debt Service, Subordinate Tender Indebtedness will be treated as if the principal amount of such Subordinate Obligations were to be amortized over a term of not more than 30 years commencing in the year in which such Series is first subject to tender and with substantially level Subordinate Annual Debt Service payments and extending not later than 30 years from the date such Subordinate Tender Indebtedness was originally issued; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Commission, or if the Commission fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes; and with respect to all principal and interest payments becoming due prior to the year in which such Subordinate Tender Indebtedness is first subject to tender, such payments will be treated as described in (a) above unless the interest during that period is subject to fluctuation, in

which case the interest becoming due prior to such first tender date will be determined as provided in (e) or (f) below, as appropriate;

(e) if any Outstanding Subordinate Obligations constitute Variable Rate Subordinate Indebtedness, including obligations described in subsection (h)(ii) to the extent it applies (except to the extent subsection (b) or (c) relating to Balloon Indebtedness or (d) relating to Subordinate Tender Indebtedness or subsection (h)(i) relating to Synthetic Fixed Rate Debt applies), the interest rate on such Subordinate Obligations will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Commission, or if the Commission fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for variable rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(f) with respect to any Subordinate Program Obligations or Unissued Subordinate Program Obligations (other than a Subordinate Commercial Paper Program) (i) debt service on such Subordinate Program Obligations then Outstanding will be determined in accordance with such of the foregoing provisions of this definition as will be applicable, and (ii) with respect to Unissued Subordinate Program Obligations, it will be assumed that the full principal amount of such Unissued Subordinate Program Obligations will be amortized over a term certified by an Authorized Commission Representative at the time the initial Subordinate Program Obligations of such Subordinate Program are issued to be the expected duration of such Subordinate Program or, if such expectations have changed, over a term certified by an Authorized Commission Representative to the expected duration of such Subordinate Program at the time of such calculation, but not to exceed 30 years from the date of the initial issuance of such Subordinate Program Obligations and it will be assumed that debt service will be paid in substantially level Subordinate Annual Debt Service payments over such assumed term; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Commission, or if the Commission fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

(g) debt service on Subordinate Repayment Obligations, to the extent such obligations constitute Subordinate Obligations under the Master Subordinate Indenture, will be calculated as provided in the Master Subordinate Indenture;

(h) (i) for purposes of computing the Subordinate Aggregate Annual Debt Service of Subordinate Obligations which constitute Synthetic Fixed Rate Debt, the interest payable thereon will, if the Commission elects, be that rate as provided for by the terms of the Swap or the net interest rate payable pursuant to offsetting indices, as applicable, or if the Commission fails to elect such rate, then it will be deemed to be the fixed interest rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as

published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Commission;

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

(i) with respect to any Subordinate Commercial Paper Program which has been Implemented and not then terminated or with respect to any Subordinate Commercial Paper Program then proposed to be Implemented, the principal and interest thereon will be calculated as if the entire Subordinate Authorized Amount of such Subordinate Commercial Paper Program were to be amortized over a term of 30 years commencing in the year in which such Subordinate Commercial Paper Program is Implemented and with substantially level annual debt service payments; the interest rate used for such computation will be that rate quoted in The Bond Buyer 25 Revenue Bond Index, or such successor or replacement index, for the last week of the month preceding the date of calculation as published by *The Bond Buyer*, or if that index is no longer published, another similar index selected by the Commission, or if the Commission fails to select a replacement index, that rate determined by a Consultant to be a reasonable market rate for fixed-rate Subordinate Obligations of a corresponding term issued under the Master Subordinate Indenture on the date of such calculation, with no credit enhancement and taking into consideration whether such Subordinate Obligations bear interest which is or is not excluded from gross income for federal income tax purposes;

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

(k) if Passenger Facility Charges, state and/or federal grants or other moneys have been irrevocably committed or are held by the Subordinate Trustee or another fiduciary and are to be set aside exclusively to be used to pay principal and/or interest on specified Subordinate Obligations, then the principal and/or interest to be paid from such Passenger Facility Charges, state and/or federal grants or other moneys or from earnings thereon will be disregarded (unless such Passenger Facility Charges, state and/or federal grants or other moneys are included in the definition of Revenues) and not included in calculating Subordinate Aggregate Annual Debt Service.

“*Subordinate Aggregate Annual Debt Service For Reserve Requirement*” means the computation of Subordinate Aggregate Annual Debt Service for a Subordinate Debt Service Reserve Fund with respect to all Outstanding Subordinate Obligations participating in an identified Subordinate Debt Service Reserve Fund in the then current or any future Fiscal Year, with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Subordinate Aggregate Annual Debt Service For Reserve Requirement for the respective Subordinate Debt Service Reserve Fund, if any,

for a Series of Subordinate Obligations, the annual debt service with respect to any Variable Rate Subordinate Indebtedness will, upon the issuance of such Series participating in a Subordinate Debt Service Reserve Fund, be calculated on the basis of the assumptions set forth in subsection (e) of the definition of Subordinate Aggregate Annual Debt Service, and the amount so determined will not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Subordinate Aggregate Annual Debt Service For Reserve Requirement, the annual debt service requirements assumed at the time of issuance of a Series of Subordinate Obligations containing Balloon Indebtedness or Subordinate Tender Indebtedness will not, with respect to such Series, require subsequent increases.

“Subordinate Annual Debt Service” means, with respect to any Subordinate Obligation, the aggregate amount of principal and interest becoming due and payable during the Fiscal Year, and if a Subordinate Qualified Swap is in effect for such Subordinate Obligation, plus the amount payable by the Commission (or the Subordinate Trustee) under the Subordinate Qualified Swap in accordance with the terms thereof, less any amount to be received by the Commission from the Subordinate Qualified Swap Provider pursuant to the Subordinate Qualified Swap, calculated using the principles and assumptions set forth in the definition of Subordinate Aggregate Annual Debt Service.

“Subordinate Authorized Amount” means, when used with respect to Subordinate Obligations, including Subordinate Program Obligations, the maximum Subordinate Principal Amount of Subordinate Obligations which is then authorized by a resolution or Supplemental Subordinate Indenture adopted by the Commission pursuant to the Master Subordinate Indenture to be Outstanding at any one time under the terms of such Subordinate Program or Supplemental Subordinate Indenture. If the maximum Subordinate Principal Amount of Subordinate Obligations or Subordinate Program Obligations authorized by a preliminary resolution or form of Supplemental Subordinate Indenture approved by the Commission pursuant to the Master Subordinate Indenture exceeds the maximum Subordinate Principal Amount of Subordinate Obligations set forth in the final resolution of sale adopted by the Commission or in the definitive Supplemental Subordinate Indenture executed and delivered by the Commission pursuant to which such Subordinate Obligations are issued or such Subordinate Program is established, the Subordinate Principal Amount of such Subordinate Obligations or Subordinate Program Obligations as is set forth in said final resolution of sale or in the definitive Supplemental Subordinate Indenture as executed and delivered by the Commission will be deemed to be the “Subordinate Authorized Amount.”

“Subordinate Capitalized Interest” means the amount of interest on Subordinate Obligations, if any, funded from the proceeds of the Subordinate Obligations or other monies that are deposited with the Subordinate Trustee in the Subordinate Debt Service Fund as will be described in a Supplemental Subordinate Indenture upon issuance of Subordinate Obligations to be used to pay interest on the Subordinate Obligations.

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

“Subordinate Commercial Paper Notes” means Commercial Paper authorized to be issued pursuant to a Subordinate Commercial Paper Program.

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

“*Subordinate Debt Service Fund*” or “*Subordinate Debt Service Funds*” means a Subordinate Debt Service Fund or any of the Subordinate Debt Service Funds required to be created as provided by the Master Subordinate Indenture.

“*Subordinate Debt Service Reserve Fund*” means any Subordinate Debt Service Reserve Fund created by the Commission pursuant to a Supplemental Subordinate Indenture in connection with the issuance of any Series of Subordinate Obligations and that is required to be funded for the purpose of providing additional security for such Series of Subordinate Obligations and under certain circumstances to provide additional security for such other designated Series of Subordinate Obligations issued pursuant to the terms of the Master Subordinate Indenture and as specified in any Supplemental Subordinate Indenture.

“*Subordinated Obligation*” means any bond, note or other debt instrument issued or otherwise entered into by the Commission which ranks junior and subordinate to the Senior Bonds and which may be paid from moneys constituting Net Revenues only if all amounts of principal and interest which have become due and payable on the Senior Bonds whether by maturity, redemption or acceleration have been paid in full and the Commission is current on all payments, if any, required to be made to replenish all Senior Debt Service Reserve Funds. “Subordinated Obligations” are not Senior Bonds for purposes of the Master Senior Indenture; provided, however, that the Commission may henceforth by Supplemental Senior Indenture elect to have the provisions of the Master Senior Indenture applicable to the Senior Bonds apply to the Subordinated Obligations issued thereunder, except that such Subordinated Obligations will be secured on a junior and subordinate basis to the Senior Bonds from the Net Revenues. No bond, note or other instrument of indebtedness will be deemed to be a “Subordinated Obligation” for purposes of the Master Senior Indenture and payable on a subordinated basis from Net Revenues unless specifically designated by the Commission as a “Subordinated Obligation” in a Supplemental Senior Indenture or other written instrument. In connection with any Subordinated Obligation with respect to which a Swap is in effect or proposes to be in effect, the term “Subordinated Obligation” includes, collectively, both such Subordinated Obligation and either such Swap or the obligations of the Commission under each such Swap, as the context requires. The term “Subordinated Obligations” also includes a Swap or the obligations of the Commission under such Swap which has been entered into in connection with a Subordinated Obligation, as the context requires, although none of the Subordinated Obligations with respect to which such Swap was entered into remain outstanding. In connection with any Senior Bonds with respect to which a Senior Qualified Swap is in effect or proposed to be in effect, the term “Subordinated Obligation” includes any Senior Swap Termination Payment if designated as a Subordinated Obligation in a Supplemental Senior Indenture. The Subordinate Obligations issued and Outstanding under the Subordinate Indenture are Subordinated Obligations.

“*Subordinate Event of Default*” means any occurrence or event specified as an “Subordinate Event of Default” in the Master Subordinate Indenture. See “APPENDIX C-4—SUMMARY OF THE MASTER SUBORDINATE INDENTURE—Defaults and Remedies.”

“*Subordinate Indenture*” means, collectively, the Master Subordinate Indenture, together with all Supplemental Subordinate Indentures, including the Fifteenth Supplemental Subordinate Indenture.

“*Subordinate Maximum Aggregate Annual Debt Service*” means the maximum amount of Subordinate Aggregate Annual Debt Service with respect to all Subordinate Obligations, Unissued Subordinate Program Obligations and the Subordinate Authorized Amount of all Subordinate Obligations then proposed to be issued in the then current or any future Fiscal Year.

“*Subordinate Maximum Aggregate Annual Debt Service For Reserve Requirement*” means the computation of Subordinate Maximum Aggregate Annual Debt Service for a Subordinate Debt Service

Reserve Fund with respect to all Outstanding Subordinate Obligations participating in an identified Subordinate Debt Service Reserve Fund in the then current or any future Fiscal Year, with such modifications in the assumptions thereof as is described in this definition. For purposes of determining the Subordinate Maximum Aggregate Annual Debt Service For Reserve Requirement for the respective Subordinate Debt Service Reserve Fund, if any, for a Series of Subordinate Obligations the annual debt service with respect to any Variable Rate Subordinate Indebtedness will, upon the issuance of such Series participating in an identified Subordinate Debt Service Reserve Fund, be calculated on the basis of the assumptions set forth in subsection (e) of the definition of Subordinate Aggregate Annual Debt Service, and the amount so determined will not require adjustment thereafter except as appropriate to reflect reductions in the outstanding principal amount of such Series. For purposes of the Subordinate Maximum Aggregate Annual Debt Service For Reserve Requirement, the annual debt service requirements assumed at the time of issuance of a Series of Subordinate Obligations containing Balloon Indebtedness or Subordinate Tender Indebtedness will not, with respect to such Series, require subsequent increases.

“*Subordinate Notes*” means Subordinate Obligations issued under the provisions of the Master Subordinate Indenture which have a maturity of one year or less from their original date of issue and which are not part of a Subordinate Commercial Paper Program.

“*Subordinate Obligation*” or “*Subordinate Obligations*” means any debt obligation of the Commission issued as a taxable or tax-exempt obligation under and in accordance with the provisions of the Master Subordinate Indenture, including, but not limited to, bonds, notes, bond anticipation notes, commercial paper and other instruments creating an indebtedness of the Commission, and obligations incurred through lease or installment purchase agreements or other agreements or certificates of participation therein and Subordinate Repayment Obligations to the extent provided in the Master Subordinate Indenture. The terms “Subordinate Obligation” and “Subordinate Obligations” include Subordinate Program Obligations.

“*Subordinate Paying Agent*” or “*Subordinate Paying Agents*” means, with respect to the Subordinate Obligations or any Series of Subordinate Obligations, the banks, trust companies or other financial institutions or other entities designated in a Supplemental Subordinate Indenture or a resolution of the Commission as the place where such Subordinate Obligations will be payable. The Subordinate Trustee will act as Subordinate Paying Agent with respect to the Subordinate Series 2016D/E Bonds.

“*Subordinate Principal Amount*” or “*principal amount*” means, as of any date of calculation, (a) with respect to any Capital Appreciation Subordinate Obligations, the Accreted Value thereof (the difference between the stated amount to be paid at maturity and the Accreted Value being deemed unearned interest), (b) with respect to any Original Issue Discount Subordinate Obligations, the Accreted Value thereof, unless the Supplemental Subordinate Indenture under which such Subordinate Obligation was issued will specify a different amount, in which case, the terms of the Supplemental Subordinate Indenture will control, and (c) with respect to any other Subordinate Obligations, the principal amount of such Subordinate Obligation payable at maturity.

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

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

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

“*Subordinate Qualified Swap Provider*” means a financial institution whose senior long-term debt obligations, or whose obligations under any Subordinate Qualified Swap are (a) guaranteed by a financial institution, or subsidiary of a financial institution, whose senior long-term debt obligations, are rated at least “A1”, in the case of Moody’s and “A+”, in the case of S&P, or the equivalent thereto in the case of any successor thereto, or (b) fully secured by obligations described in items (b)(ii)(A) or (B) of the definition of Permitted Investments which are (i) valued not less frequently than monthly and have a fair market value, exclusive of accrued interest, at all times at least equal to 105% of the principal amount of the investment, together with the interest accrued and unpaid thereon, (ii) held by the Subordinate Trustee (who will not be the provider of the collateral) or by any Federal Reserve Bank or a depository acceptable to the Subordinate Trustee, (iii) subject to a perfected first lien on behalf of the Subordinate Trustee, and (iv) free and clear from all third-party liens.

“*Subordinate Registrar*” means, with respect to the Subordinate Obligations or any Series of Subordinate Obligations, the bank, trust company or other entity designated in a Supplemental Subordinate Indenture or a resolution of the Commission to perform the function of Registrar under the Master Subordinate Indenture or any Supplemental Subordinate Indenture, and which bank, trust company or other entity has accepted the position in accordance with the Master Subordinate Indenture. The Subordinate Trustee will act as Subordinate Registrar with respect to the Subordinate Series 2016D/E Bonds.

“*Subordinate Repayment Obligations*” means an obligation arising under a written agreement of the Commission and a Credit Provider pursuant to which the Commission agrees to reimburse the Credit Provider for amounts paid through a Credit Facility to be used to pay debt service on any Subordinate Obligations and all other amounts due and owing to a Credit Provider under a Credit Facility, or an obligation arising under a written agreement of the Commission and a Liquidity Provider pursuant to which the Commission agrees to reimburse the Liquidity Provider for amounts paid through a Liquidity Facility to be used to purchase Subordinate Obligations and all other amounts due and owing to a Liquidity Provider under a Liquidity Facility.

“*Subordinate Reserve Fund*” means the Subordinate Debt Service Reserve Fund established and maintained by the Subordinate Trustee pursuant to the provisions of the Master Subordinate Indenture and the Second Supplemental Subordinate Indenture. The Subordinate Reserve Fund Participating Bonds are secured by the Subordinate Reserve Fund.

“*Subordinate Reserve Fund Participating Bonds*” means, collectively, the Prior Subordinate Bonds, the Subordinate Series 2016D/E Bonds and any additional Subordinate Obligations the Commission elects to participate in the Subordinate Reserve Fund.

“Subordinate Reserve Requirement” means an amount equal to the lesser of (a) Subordinate Maximum Aggregate Annual Debt Service for Reserve Requirement for all Series of Subordinate Obligations participating in the Subordinate Debt Service Reserve Fund, (b) 10% of the principal amount of the Series of Subordinate Obligations that have been issued and are participating in the Subordinate Debt Service Reserve Fund, less the amount of original issue discount with respect to such Series of Subordinate Obligations if such original issue discount exceeded 2% on such Series of Subordinate Obligations at the time of their original sale and (c) 125% of the average Subordinate Aggregate Annual Debt Service for Reserve Requirement for all Series of Subordinate Obligations participating in the Subordinate Debt Service Reserve Fund.

“Subordinate Revenues” or *“Net Pledged Revenues”* means for any given period, the Revenues for such period less, for such period, all amounts which are required to be used to pay the Maintenance and Operation Expenses of the Airport System, the Senior Aggregate Annual Debt Service when due on the Senior Bonds, the Senior Aggregate Annual Debt Service when due on the General Obligation Revenue Bonds and the reserve and replenishment requirements on and relating to the Senior Bonds and the General Obligation Revenue Bonds.

“Subordinate Series 2010C Bonds” means the \$21,600,000 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Eighth Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2010C.”

“Subordinate Series 2010D Bonds” means the \$68,790,000 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Eighth Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2010D.”

“Subordinate Series 2011A Bonds” means the \$52,015,000 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Ninth Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2011A.”

“Subordinate Series 2012A Bonds” means the \$39,770,000 original principal amount of Subordinate Obligations to be issued under the Master Subordinate Indenture and the Eleventh Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2012A.”

“Subordinate Series 2012B Bonds” means the \$42,015,000 original principal amount of Subordinate Obligations to be issued under the Master Subordinate Indenture and the Twelfth Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2012B.”

“Subordinate Series 2014A Bonds” means the \$217,790,000 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Thirteenth Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2014A.”

“Subordinate Series 2014B Bonds” means the \$46,590,000 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Thirteenth Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2014B.”

“*Subordinate Series 2016B Bonds*” means the \$152,190,000 original principal amount of Subordinate Obligations issued under the Master Subordinate Indenture and the Fifteenth Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Refunding Bonds, Series 2016B.”

“*Subordinate Series 2016D Bonds*” means the \$23,410,000 original principal amount of Subordinate Obligations to be issued under the Master Subordinate Indenture and the Sixteenth Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2016D.”

“*Subordinate Series 2016D/E Bonds*” means, collectively, the Subordinate Series 2016D Bonds and the Subordinate Series 2016E Bonds.

“*Subordinate Series 2016E Bonds*” means the \$171,690,000 original principal amount of Subordinate Obligations to be issued under the Master Subordinate Indenture and the Sixteenth Supplemental Subordinate Indenture and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2016E.”

“*Subordinate Series 2016E Underwriters*” means, collectively, Wells Fargo Bank, National Association, Citigroup Global Markets Inc., Barclays Capital Inc., Piper Jaffray & Co., RBC Capital Markets, LLC, and U.S. Bancorp Investments, Inc., the underwriters of the Subordinate Series 2016E Bonds.

“*Subordinate Short-Term Obligations*” means the Subordinate Obligations issued and/or incurred under the Master Subordinate Indenture and the Fourteenth Supplemental Subordinate Indenture that may be outstanding at any one time in the aggregate principal amount of \$75,000,000 and designated “Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Short-Term Obligations.”

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

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

“*Subordinate Trustee*” means Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association), until a successor replaces it and, thereafter, means such successor.

“*Supplemental Senior Indenture*” means any document supplementing or amending the Master Senior Indenture or providing for the issuance of Senior Bonds and entered into as provided in the Master Senior Indenture.

“*Supplemental Subordinate Indenture*” means any document supplementing or amending the Master Subordinate Indenture or providing for the issuance of Subordinate Obligations and entered into as provided in the Master Subordinate Indenture.

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

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

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

“*Tax Compliance Certificate*” means the certificate of the Commission prepared by Bond Counsel and delivered by the Commission at the time of issuance and delivery of any Series of Senior Bonds or Subordinate Obligations, as the case may be, the interest on which is excluded from gross income for federal income tax purposes pursuant to a favorable opinion of such Bond Counsel, making certifications and representations of the Commission as to the status of such Senior Bonds or Subordinate Obligations, as the case may be, under the Code.

“*Tenth Supplemental Senior Indenture*” means the Tenth Supplemental Trust Indenture, to be dated as of December 1, 2016, by and between the Commission and the Senior Trustee.

“*Term Senior Bonds*” means Senior Bonds of a Series which are payable on or before their specified maturity dates from sinking installment payments established pursuant to the Supplemental Senior Indenture for such series for that purpose and calculated to retire the Senior Bonds on or before their specified maturity dates.

“*Term Subordinate Obligations*” means Subordinate Obligations of a Series which are payable on or before their specified maturity dates from sinking installment payments established pursuant to the Supplemental Subordinate Indenture for such series for that purpose and calculated to retire the Subordinate Obligations on or before their specified maturity dates.

“*Thirteenth Supplemental Subordinate Indenture*” means the Thirteenth Supplemental Subordinate Trust Indenture, dated as of October 1, 2014, by and between the Commission and the Subordinate Trustee.

“*Transfer*” means (a) the amount deposited on the last Business Day of the Fiscal Year from the Coverage Account into the Operating Fund plus (b) any amounts withdrawn from the Coverage Account

during such Fiscal Year (i) to pay Maintenance and Operation Expenses of the Airport System or (ii) to make any required payments or deposits to pay or secure the payment of the principal or purchase price of or interest or redemption premium on the Outstanding Senior Bonds; less (c) any amounts deposited in the Coverage Account from Revenues during such Fiscal Year.

“*Twelfth Supplemental Subordinate Indenture*” means the Twelfth Supplemental Subordinate Trust Indenture, dated as of November 1, 2012, by and between the Commission and the Subordinate Trustee.

“*Underwriters*” means, collectively, the Series 2016C/D Underwriters and the Subordinate Series 2016E Underwriters.

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

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

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

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

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

“*Variable Rate Subordinate Indebtedness*” means any Subordinate Obligation or Subordinate Obligations the interest rate on which is not, at the time in question, fixed to maturity, excluding any commercial paper program.

APPENDIX C-2

SUMMARY OF THE MASTER SENIOR INDENTURE

In addition to certain information contained under the captions “DESCRIPTION OF THE SERIES 2016C/D/E BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS” in the forepart of this Official Statement, the following is a summary of certain provisions of the Master Senior Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Master Senior Indenture.

Grant to Secure Bonds; Pledge of Net Revenues

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

Senior Repayment Obligations Afforded Status of Senior Bonds

If a Credit Provider or Liquidity Provider makes payment of principal of a Senior Bond or advances funds to purchase or provide for the purchase of Senior Bonds and is entitled to reimbursement thereof, pursuant to a separate written agreement with the Commission, but is not reimbursed, the Commission's Senior Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Senior Bond issued under the Master Senior Indenture, and, if afforded such status, the Credit Provider or Liquidity Provider will be the Senior Bondholder and such Senior Bond will be deemed to have been issued at the time of the original Senior Bond for which the Credit Facility or Liquidity Facility was provided and will not be subject to the provisions of the Master Senior Indenture; provided, however, notwithstanding the stated terms of the Senior Repayment Obligation, the payment terms of the Senior Bond held by the Credit Provider or Liquidity Provider under the Master Senior Indenture will be as follows (unless otherwise provided in the Supplemental Senior Indenture pursuant to which the Senior Bonds are issued): (a) interest will be due and payable semiannually and (b) principal will be due and payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof in (i) 30 years or, if shorter, (ii)(A) a term extending to the maturity date of the enhanced Senior Bonds or (B) if longer, the final maturity of the Senior Repayment Obligation under the written agreement, and providing substantially level Senior Annual Debt Service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Senior Repayment Obligation as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence will bear interest in accordance with the terms of the Senior Repayment Obligation. Any amount which comes due on the Senior Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Senior Bond will be a Subordinated Obligation of the Commission. This provision will not defeat or alter the rights of subrogation which any Credit Provider may have under law or under the terms of any Supplemental Senior Indenture. The Senior Trustee may conclusively rely on a written certification by the Credit Provider or Liquidity Provider of the amount of such non-reimbursement and that such Senior Repayment Obligation is to be afforded the status of a Senior Bond under the Master Senior Indenture.

Revenues and Funds

Funding of Senior Debt Service Funds. The Senior Trustee will, at least 15 Business Days prior to each Payment Date on any Senior Bond, give the Commission notice by telephone, promptly confirmed in writing, of the amount after taking into account Senior Capitalized Interest, if any, on deposit in the Senior Debt Service Fund, required to be deposited with the Senior Trustee to make each required payment of principal and interest due on such Payment Date. With respect to any Series of Senior Bonds, the Supplemental Senior Indenture under which such Senior Bonds are issued may provide for different times and methods of notifying the Commission of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Senior Indenture will control.

The Commission, at least five Business Days prior to each Payment Date, will withdraw from the Operating Fund and pay to the Senior Trustee the full amount required to make the interest and/or principal payments due on such Payment Date.

On any day on which the Senior Trustee receives funds from the Commission to be used to pay principal of or interest on Senior Bonds, the Senior Trustee will, if the amount received is fully sufficient to pay all amounts of principal and interest then due or becoming due on the next Payment Date, deposit such amounts into the respective Senior Debt Service Funds for the Series of Senior Bonds for which such payments were made and any excess will be applied to pay all amounts of principal and interest becoming due on any subsequent Payment Dates. If, on any Payment Date, the Senior Trustee does not

have sufficient amounts in the Senior Debt Service Funds (without regard to any amounts which may be available from Senior Debt Service Reserve Funds) to pay in full all amounts of principal and/or interest due on such date, the Senior Trustee will allocate the total amount which is available to make payment on such day (without regard to any amounts in the various Senior Debt Service Reserve Funds) as follows: first to the payment of interest then due on the Senior Bonds and, if the amount available will not be sufficient to pay in full all interest on the Senior Bonds then due, then pro rata among the Series according to the amount of interest then due and second to the payment of principal then due on the Senior Bonds and, if the amount available will not be sufficient to pay in full all principal on the Senior Bonds then due, then pro rata among the Series according to the Senior Principal Amount then due on the Senior Bonds.

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

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

If the Net Revenues are at any time insufficient to make the deposits required to make payments on the Senior Bonds, the Commission may, at its election, pay to the Senior Trustee funds from any available sources with the direction that such funds be deposited into the Senior Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein.

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

Payment of Principal and Interest

The Commission has covenanted and agreed that it will duly and punctually pay or cause to be paid from the Net Revenues and to the extent thereof the principal of, premium, if any, and interest on every Senior Bond at the place and on the dates and in the manner in the Master Senior Indenture, in the Supplemental Senior Indentures and in the Senior Bonds specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements in the Master Senior Indenture and in the Senior Bonds contained, provided that the Commission's obligation to make

payment of the principal of, premium, if any, and interest on the Senior Bonds will be limited to payment from the Net Revenues, the funds and accounts pledged therefor in the Granting Clauses of the Master Senior Indenture and any other source which the Commission may specifically provide for such purpose and no Bondholder will have any right to enforce payment from any other funds of the Commission.

Subordinated Obligations

The Commission may, from time to time, incur indebtedness which is subordinate to the Senior Bonds and which indebtedness is, in the Master Senior Indenture, referred to as Subordinated Obligations. Such indebtedness will be incurred at such times and upon such terms as the Commission will determine, provided that: (a) any Supplemental Senior Indenture authorizing the issuance of any Subordinate Obligations will specifically state that such lien on or security interest granted in the Net Revenues is junior and subordinate to the lien on and security interest in such Net Revenues and other assets granted to secure the Senior Bonds; and (b) payment of principal of and interest on such Subordinated Obligations will be permitted, provided that all deposits required to be made pursuant to the Master Senior Indenture, if any, are then current in accordance with the Master Senior Indenture.

Special Facilities and Special Facility Obligations

The Commission is permitted to designate new or existing Airport Facilities as Special Facilities. The Commission may, from time to time, and subject to the terms and conditions of the Master Senior Indenture, (a) designate a separately identifiable existing facility or planned facility as a "Special Facility," (b) pursuant to an indenture other than the Master Senior Indenture and without a pledge of any Net Revenues, incur debt primarily for the purpose of acquiring, constructing, renovating or improving or providing financing or refinancing to a third party to acquire, construct, renovate or improve, such facility, (c) provide that certain of the contractual payments derived from or related to such Special Facility, together with other income and revenues available to the Commission from such Special Facility to the extent necessary to make the payments required by clause (i) of the second succeeding paragraph, be "Special Facilities Revenue" and not included as Revenues or Net Revenues unless on terms provided in any supplemental indenture, and (d) provide that the debt so incurred will be a "Special Facility Obligation" and the principal of and interest thereon will be payable solely from the Special Facilities Revenue. The Commission may from time to time refinance any such Special Facility Obligations with other Special Facility Obligations.

Special Facility Obligations will be payable as to principal, redemption premium, if any, and interest solely from Special Facilities Revenue, which will include contractual payments derived by the Commission under and pursuant to a contract (which may be in the form of a lease) relating to a Special Facility by and between the Commission and another person, firm or corporation, either public or private, as will undertake the operation of a Special Facility.

No Special Facility Obligations will be issued by the Commission unless there will have been filed with the Senior Trustee a certificate of an Authorized Commission Representative stating that: (i) the estimated Special Facilities Revenue pledged to the payment of obligations relating to the Special Facility will be at least sufficient to pay the principal of and interest on such Special Facility Obligations as and when the same become due and payable, all costs of operating and maintaining such Special Facility not paid for by the operator thereof or by a party other than the Commission and all sinking fund, reserve or other payments required by the resolution authorizing the Special Facility Obligations as the same become due; and (ii) with respect to the designation of any separately identifiable existing Airport Facilities or Airport Facility as a "Special Facility" or "Special Facilities," the estimated Net Revenues, calculated without including the new Special Facilities Revenue and without including any operation and maintenance expenses of the Special Facility as Maintenance and Operation Expenses of the Airport

System, will be sufficient so that the Commission will be in compliance with the rate covenant of the Master Senior Indenture; and (iii) no Senior Event of Default then exists under the Master Senior Indenture.

To the extent Special Facilities Revenue received by the Commission during any Fiscal Year will exceed the amounts required to be paid pursuant to clause (i) of the immediately preceding paragraph for such Fiscal Year, such excess Special Facilities Revenue, to the extent not otherwise encumbered or restricted, will constitute Revenues.

Maintenance and Operation of Airport System

Subject to the transfer of any Airport Facilities pursuant to the Master Senior Indenture, the Commission has covenanted that the Airport System will at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises will be complied with (provided the Commission will not be required to comply with any such orders so long as the validity or application thereof will be contested in good faith), and that all licenses and permits necessary to construct or operate any part of the Airport System will be obtained and maintained and that all necessary repairs, improvements and replacements of the Airport System will be made, subject to sound business judgment. Subject to the transfer of any Airport Facilities pursuant to the Master Senior Indenture, the Commission will, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the Commission, all taxes (if any), assessments or other governmental charges lawfully imposed upon the Airport System or upon any part thereof, or upon the Revenues or Net Revenues, when the same will become due, as well as any lawful claim for labor, materials or supplies or other charges which, if unpaid, might by law become a lien or charge upon the Revenues or Net Revenues or Airport System or any part thereof constituting part of the Airport System.

Insurance; Application of Insurance Proceeds

Subject, in each case, to the condition that insurance is obtainable at reasonable rates and upon reasonable terms and conditions: (a) the Commission will procure and maintain or cause to be procured and maintained commercial insurance or provide Qualified Self Insurance with respect to the facilities constituting the Airport System and public liability insurance in the form of commercial insurance or Qualified Self Insurance and, in each case, in such amounts and against such risks as are, in the judgment of the Commission, prudent and reasonable taking into account, but not being controlled by, the amounts and types of insurance or self-insured programs provided by similar airports; and (b) the Commission will place on file with the Senior Trustee, if requested in writing by the Senior Trustee, annually within 120 days after the close of each Fiscal Year a certificate of an Authorized Commission Representative containing a summary of all insurance policies and self-insured programs then in effect with respect to the Airport System and the operations of the Commission. The Senior Trustee may conclusively rely upon such certificate and will not be responsible for the sufficiency or adequacy of any insurance required in the Master Senior Indenture or obtained by the Commission.

“Qualified Self Insurance” means insurance maintained through a program of self-insurance or insurance maintained with a fund, company or association in which the Commission may have a material interest and of which the Commission may have control, either singly or with others. Each plan of Qualified Self Insurance will be established in accordance with law, will provide that reserves be established or insurance acquired in amounts adequate to provide coverage which the Commission determines to be reasonable to protect against risks assumed under the Qualified Self Insurance plan, including any potential retained liability in the event of the termination of such plan of Qualified Self Insurance, and such self-insurance program will be reviewed at least once every 12 months by a

Consultant who will deliver to the Commission a report on the adequacy of the reserves established thereunder. If the Consultant determines that such reserves are inadequate, he will make a recommendation as to the amount of reserves that should be established and maintained, and the Commission will comply with such recommendation unless it can establish to the satisfaction of and receive a certification from a Consultant that a lower amount is reasonable to provide adequate protection to the Commission.

If, as a result of any event, any part of the Airport System is destroyed or severely damaged, the Commission will create within the Operating Fund a special account and will credit the Net Proceeds received as a result of such event of damage or destruction to such account and such Net Proceeds will, within a reasonable period of time taking into account any terms under which insurance proceeds are paid and any insurance restrictions upon the use or timing of the use of insurance proceeds, be used to: (i) repair or replace the Airport System, or portion thereof, which were damaged or destroyed, (ii) provide additional revenue-producing Airport Facilities, (iii) redeem Senior Bonds, or (iv) create an escrow fund pledged to pay specified Senior Bonds and thereby cause such Senior Bonds to be deemed to be paid as provided in the Master Senior Indenture; provided, however, that the Commission will first deliver to the Senior Trustee a certificate of a Consultant showing that, after taking into account the use of the Net Proceeds for the redemption of such specified Senior Bonds, the rate covenant as set forth in the Master Senior Indenture is met.

Transfer of Airport Facility or Airport Facilities

The Commission will not, except as permitted below, transfer, sell or otherwise dispose of an Airport Facility or Airport Facilities. For purposes of this section, any transfer of an asset over which the Commission retains substantial control in accordance with the terms of such transfer, will not, for so long as the Commission has such control, be deemed a disposition of an Airport Facility or Airport Facilities.

The Commission may transfer, sell or otherwise dispose of Airport Facilities only if such transfer, sale or disposition complies with one or more of the following provisions: (a) the property being disposed of is inadequate, obsolete or worn out; or (b) the property proposed to be disposed of and all other Airport Facilities disposed of during the 12-month period ending on the day of such transfer (but excluding property disposed of under (a) above), will not, in the aggregate, constitute a Significant Portion, the proceeds are deposited into the Operating Fund to be used as described below and the Commission believes that such disposal will not prevent it from fulfilling its obligations under the Master Senior Indenture; or (c) the Commission receives fair market value for the property, the proceeds are deposited in the Operating Fund to be used as described below, and prior to the disposition of such property, there is delivered to the Senior Trustee a certificate of a Consultant to the effect that notwithstanding such disposition, but taking into account the use of such proceeds in accordance with the expectations of the Commission as evidenced by a certificate of an Authorized Commission Representative, the Consultant estimates that Commission will be in compliance with the rate covenant of the Master Senior Indenture during each of the five Fiscal Years immediately following such disposition.

Proceeds of the disposition of assets under paragraph (b) or (c) above will be deposited into the Operating Fund and used, within a reasonable period of time, not to exceed three years, to (i) provide additional revenue-producing Airport Facilities, (ii) redeem Senior Bonds or (iii) create an escrow fund pledged to pay specified Senior Bonds and thereby cause such Senior Bonds to be deemed to be paid as provided in the Master Senior Indenture.

Airport Facilities which were financed with the proceeds of obligations the interest on which is then excluded from gross income for federal income tax purposes will not be disposed of, except under the terms of paragraph (a) above, unless the Commission has first received a written opinion of Bond

Counsel to the effect that such disposition will not cause the interest on such obligations to become includable in gross income for federal income tax purposes.

No such disposition will be made which would cause the Commission to be in default of any other covenant contained in the Master Senior Indenture.

Investments

Moneys held by the Senior Trustee in the funds and accounts created in the Master Senior Indenture and under any Supplemental Senior Indenture will be invested and reinvested as directed by the Commission, in Permitted Investments subject to the restrictions set forth in the Master Senior Indenture and such Supplemental Senior Indenture and subject to the investment restrictions imposed upon the Commission by the laws of the State. The Commission will direct such investments by written certificate (upon which the Senior Trustee may conclusively rely) of an Authorized Commission Representative or by telephone instruction followed by prompt written confirmation by an Authorized Commission Representative; in the absence of any such instructions, the Senior Trustee will, to the extent practicable, invest in Permitted Investments specified in item (a)(ii)(A) of the definition thereof, which includes a money market fund comprised of United States Obligations, or in a money market fund or account (which is generally referred to as the U.S. Government Fund) of the Senior Trustee, provided it meets the requirements specified in (a)(ii)(I) of the definition of Permitted Investments, which are Permitted Investments under State law.

Defeasance

Senior Bonds or portions thereof which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Master Senior Indenture except for the purposes of payment from moneys or Government Obligations held by the Senior Trustee or a Senior Paying Agent for such purpose. When all Senior Bonds which have been issued under the Master Senior Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Master Senior Indenture by the Commission, including all necessary and proper fees, compensation and expenses of the Senior Trustee, the Senior Registrar and the Senior Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Senior Trustee in and to the pledge of Net Revenues and the other assets pledged to secure the Senior Bonds under the Master Senior Indenture will thereupon cease, terminate and become void, and thereupon the Senior Trustee will cancel, discharge and release the Master Senior Indenture.

A Senior Bond will be deemed to be paid within the meaning of and for all purposes of the Master Senior Indenture when payment of the principal, interest and premium, if any, either (a) will have been made or caused to be made in accordance with the terms of the Senior Bonds and the Master Senior Indenture or (b) will have been provided for by depositing with the Senior Trustee in trust and setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) noncallable Government Obligations, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Senior Bonds will be deemed to be paid under the Master Senior Indenture, such Senior Bonds will no longer be secured by or entitled to the benefits of the Master Senior Indenture, except for the purposes of payment from such moneys or Government Obligations.

Defaults and Remedies

Senior Events of Default. Each of the following events will constitute and is referred to in the Master Senior Indenture as a “Senior Event of Default”:

(a) a failure to pay the principal of or premium, if any, on any of the Senior Bonds when the same will become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Senior Bonds when such interest will become due and payable;

(c) a failure to pay the purchase price of any Senior Bond when such purchase price will be due and payable upon an optional or mandatory tender date as provided in a Supplemental Senior Indenture;

(d) a failure by the Commission to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) of this section) that are to be observed or performed by the Commission and which are contained in the Master Senior Indenture or a Supplemental Senior Indenture, which failure, except for a violation under the rate covenant provisions of the Master Senior Indenture which will be controlled by the provisions set forth therein, will continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, will have been given to the Commission by the Senior Trustee, which notice may be given at the discretion of the Senior Trustee and will be given at the written request of holders of 25% or more of the Senior Principal Amount of the Senior Bonds then Outstanding, unless the Senior Trustee, or the Senior Trustee and the holders of Senior Bonds in a Senior Principal Amount not less than the Senior Principal Amount of Senior Bonds the holders of which requested such notice, will agree in writing to an extension of such period prior to its expiration; provided, however, that the Senior Trustee or the Senior Trustee and the holders of such principal amount of Senior Bonds will be deemed to have agreed to an extension of such period if corrective action is initiated by the Commission within such period and is being diligently pursued until such failure is corrected;

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of the United States Bankruptcy Code, or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or against the Commission and, if instituted against the Commission, said proceedings are consented to or are not dismissed within 60 days after such institution;

(f) the occurrence of any other Senior Event of Default as is provided in a Supplemental Senior Indenture; or

(g) a default in the payment of principal of or interest on any General Obligation Revenue Bonds.

Remedies.

(a) Upon the occurrence and continuance of any Senior Event of Default, the Senior Trustee in its discretion may, and upon the written direction of the holders of 25% or more of the Senior Principal Amount of the Senior Bonds then Outstanding and receipt of indemnity to its satisfaction, will, in its own name and as the Senior Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Senior Bondholders, and require the Commission to carry out any agreements with or for the benefit of the Senior Bondholders and to perform its or their

duties under the Act or any other law to which it is subject and the Master Senior Indenture;

(ii) bring suit upon the Senior Bonds;

(iii) commence an action or suit in equity to require the Commission to account as if it were the trustee of an express trust for the Senior Bondholders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Senior Bondholders.

(b) The Senior Trustee will be under no obligation to take any action with respect to any Senior Event of Default unless the Senior Trustee has actual knowledge of the occurrence of such Event of Default.

(c) In no event, upon the occurrence and continuation of a Senior Event of Default will the Senior Trustee, the Senior Bondholders, a Credit Provider or any other party have the right to accelerate the payment of principal of and interest on the Senior Bonds Outstanding.

Bondholders' Right to Direct Proceedings. Anything in the Master Senior Indenture to the contrary notwithstanding, holders of a majority in Senior Principal Amount of the Senior Bonds then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Senior Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Senior Trustee under the Master Senior Indenture to be taken in connection with the enforcement of the terms of the Master Senior Indenture or exercising any trust or power conferred on the Senior Trustee by the Master Senior Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Master Senior Indenture and that there will have been provided to the Senior Trustee security and indemnity satisfactory to the Senior Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Senior Trustee.

Limitation on Right to Institute Proceedings. No Bondholder will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Master Senior Indenture, or any other remedy under the Master Senior Indenture or on such Senior Bonds, unless such Senior Bondholder or Bondholders previously will have given to the Senior Trustee written notice of a Senior Event of Default as hereinabove provided and unless also holders of 25% or more of the Senior Principal Amount of the Senior Bonds then Outstanding will have made written request of the Senior Trustee to do so, after the right to institute such suit, action or proceeding under the Master Senior Indenture will have accrued, and will have afforded the Senior Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also will have been offered to the Senior Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Senior Trustee will not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are thereby declared in every such case, at the option of the Senior Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Senior Bondholders will have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Master Senior Indenture, or to enforce any right under the Master Senior Indenture or under the Senior Bonds, except in the manner in the Master Senior Indenture provided, and that all suits, actions and proceedings at law or in equity will be instituted, had and maintained in the manner in the Master Senior Indenture provided and for the equal benefit of all Bondholders.

The Senior Trustee

Standard of Care. If a Senior Event of Default has occurred and is continuing, the Senior Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Senior Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that: (i) the Senior Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer unless the Senior Trustee was negligent in ascertaining the pertinent facts; and (ii) the Senior Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Bondholders or the Commission in the manner provided in the Master Senior Indenture.

Notice of Defaults. If (a) a Senior Event of Default has occurred or (b) an event has occurred which with the giving of notice and/or the lapse of time would be a Senior Event of Default and, with respect to such events for which notice to the Commission is required before such events will become Senior Events of Default, such notice has been given, then the Senior Trustee will promptly, after obtaining actual notice of such Senior Event of Default or event described in (b) of the first sentence of this section, give notice thereof to each Senior Bondholder. Except in the case of a default in payment or purchase on any Senior Bonds, the Senior Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Senior Bondholders.

Eligibility of Senior Trustee. The Master Senior Indenture will always have a Senior Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is authorized to conduct trust business under the laws of the State, is subject to supervision or examination by United States, state or District of Columbia authority and has (together with its corporate parent) a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition.

Replacement of Senior Trustee. The Senior Trustee may resign by notifying the Commission in writing prior to the proposed effective date of the resignation. The holders of a majority in Senior Principal Amount of the Senior Bonds may remove the Senior Trustee by notifying the removed Senior Trustee and may appoint a successor Senior Trustee with the Commission's consent. The Commission may remove the Senior Trustee, by notice in writing delivered to the Senior Trustee at least 60 days prior to the proposed removal date; provided, however, that the Commission will have no right to remove the Senior Trustee during any time when a Senior Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be a Senior Event of Default.

No resignation or removal of the Senior Trustee under this section will be effective until a new Senior Trustee has taken office and delivered a written acceptance of its appointment to the retiring Senior Trustee and to the Commission. Immediately thereafter, the retiring Senior Trustee will transfer all property held by it as Senior Trustee to the successor Senior Trustee, the resignation or removal of the retiring Senior Trustee will then (but only then) become effective and the successor Senior Trustee will have all the rights, powers and duties of the Senior Trustee under the Master Senior Indenture.

If the Senior Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Master Senior Indenture, the Commission will promptly appoint a successor Senior

Trustee. If a Senior Trustee is not performing its duties under the Master Senior Indenture and a successor Senior Trustee does not take office within 60 days after the retiring Senior Trustee delivers notice of resignation or the Commission delivers notice of removal, the retiring Senior Trustee, the Commission or the holders of a majority in Senior Principal Amount of the Senior Bonds may petition any court of competent jurisdiction for the appointment of a successor Senior Trustee.

If the Senior Trustee, any Senior Paying Agent or Senior Registrar consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust assets) to, another corporation and meets the qualifications set forth in the Master Senior Indenture, the resulting, surviving or transferee corporation without any further act will be the successor Senior Trustee, Senior Paying Agent or Senior Registrar.

Amendments

Amendments Without Consent of Senior Bondholders. The Commission may, from time to time and at any time, without the consent of or notice to the Senior Bondholders, execute and deliver Supplemental Senior Indentures supplementing and/or amending the Master Senior Indenture or any Supplemental Senior Indenture as follows:

- (a) to provide for the issuance of a Series or multiple Series of Senior Bonds under the provisions of the Master Senior Indenture and to set forth the terms of such Senior Bonds and the special provisions which will apply to such Senior Bonds;
- (b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Master Senior Indenture or any Supplemental Senior Indenture, provided such supplement or amendment is not materially adverse to the Senior Bondholders;
- (c) to add to the covenants and agreements of the Commission in the Master Senior Indenture or any Supplemental Senior Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Commission, provided such supplement or amendment will not adversely affect the interests of the Senior Bondholders;
- (d) to confirm, as further assurance, any interest of the Senior Trustee in and to the pledge of Net Revenues or in and to the funds and accounts held by the Senior Trustee or in and to any other moneys, securities or funds of the Commission provided pursuant to the Master Senior Indenture or to otherwise add additional security for the Senior Bondholders;
- (e) to evidence any change made in the terms of any Series of Senior Bonds if such changes are authorized by the Supplemental Senior Indenture at the time the Series of Senior Bonds is issued and such change is made in accordance with the terms of such Supplemental Senior Indenture;
- (f) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;
- (g) to modify, alter, amend or supplement the Master Senior Indenture or any Supplemental Senior Indenture in any other respect which is not materially adverse to the Senior Bondholders;
- (h) to provide for uncertificated Senior Bonds or for the issuance of coupons and bearer Senior Bonds or Senior Bonds registered only as to principal;

(i) to qualify the Senior Bonds or a Series of Senior Bonds for a rating or ratings from a Rating Agency;

(j) to accommodate the technical, operational and structural features of Senior Bonds which are issued or are proposed to be issued or of a Senior Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, swaps, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the Commission from time to time deems appropriate to incur;

(k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Senior Bonds or a specific Series of Senior Bonds; and

(l) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Senior Bonds, including, without limitation, the segregation of Revenues into different funds.

Before the Commission will, pursuant to this section, execute any Supplemental Senior Indenture, there will have been delivered to the Commission and Senior Trustee an opinion of Bond Counsel to the effect that such Supplemental Senior Indenture is authorized or permitted by the Master Senior Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Commission in accordance with its terms and will not cause interest on any of the Senior Bonds which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes.

Amendments Requiring Consent of Senior Bondholders. Except for any amendments described above and any amendments described in the following paragraph, the holders of not less than a majority in aggregate Senior Principal Amount of the Senior Bonds then Outstanding will have the right from time to time to consent to and approve the execution by the Commission of any Supplemental Senior Indenture deemed necessary or desirable by the Commission for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Master Senior Indenture or in a Supplemental Senior Indenture; provided, however, that, unless approved in writing by the holders of all the Senior Bonds then Outstanding or unless such change affects less than all Series of Senior Bonds and the following paragraph is applicable, nothing in the Master Senior Indenture contained will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Senior Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Senior Bonds or the rate of interest thereon; and provided that nothing in the Master Senior Indenture contained, including the provisions of the following paragraph, will, unless approved in writing by the holders of all the Senior Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Master Senior Indenture) upon or pledge of the Net Revenues created by the Master Senior Indenture, ranking prior to or on a parity with the claim created by the Master Senior Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Senior Bonds, a preference or priority of any Senior Bond or Senior Bonds over any other Senior Bond or Senior Bonds with respect to the security granted therefor under the Granting Clauses of the Master Senior Indenture, or (v) a reduction in the aggregate Principal Amount of Senior Bonds the consent of the Senior Bondholders of which is required for any such Supplemental Senior Indenture. Nothing in the Master Senior Indenture contained, however, will be construed as making necessary the approval by Bondholders of the execution of any Supplemental Senior Indenture as authorized in the Master Senior Indenture, including the granting, for the benefit of particular Series of Senior Bonds, security in addition to the pledge of the Net Revenues.

The Commission may, from time to time and at any time, execute a Supplemental Senior Indenture which amends the provisions of an earlier Supplemental Senior Indenture under which a Series or multiple Series of Senior Bonds were issued. If such Supplemental Senior Indenture is executed for one of the purposes set forth in the above section regarding amendments without consent of Senior Bondholders, no notice to or consent of the Senior Bondholders will be required. If such Supplemental Senior Indenture contains provisions which affect the rights and interests of less than all Series of Senior Bonds Outstanding and the above section regarding amendments without consent of Senior Bondholders is not applicable, then this paragraph rather than the paragraph above will control and, subject to the terms and provisions contained in this paragraph and not otherwise, the holders of not less than 51% in aggregate Senior Principal Amount of the Senior Bonds of all Series which are affected by such changes will have the right from time to time to consent to any Supplemental Senior Indenture deemed necessary or desirable by the Commission for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Senior Indenture and affecting only the Senior Bonds of such Series; provided, however, that, unless approved in writing by the holders of all the Senior Bonds of all the affected Series then Outstanding, nothing in the Master Senior Indenture contained will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Senior Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Senior Bonds of such Series or the rate of interest thereon. Nothing contained in the Master Senior Indenture, however, will be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Senior Indenture as authorized in the Master Senior Indenture, including the granting, for the benefit of particular Series of Senior Bonds, security in addition to the pledge of the Net Revenues.

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APPENDIX C-3

SUMMARY OF THE TENTH SUPPLEMENTAL SENIOR INDENTURE

In addition to certain information contained under the captions “DESCRIPTION OF THE SERIES 2016C/D/E BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS” in the forepart of this Official Statement, the following is a summary of certain provisions of the Tenth Supplemental Senior Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Tenth Supplemental Senior Indenture.

Terms of the Senior Series 2016C Bonds

The Tenth Supplemental Senior Indenture sets forth the terms of the Senior Series 2016C Bonds, most of which terms are described in the forepart of this Official Statement under “DESCRIPTION OF THE SERIES 2016C/D/E BONDS.”

Establishment of Funds

Pursuant to the Tenth Supplemental Senior Indenture, the Senior Trustee will establish and maintain the following funds and accounts: the Series 2016C Construction Fund, the Series 2016C Debt Service Fund and within the Series 2016C Debt Service Fund an Interest Account, a Principal Account and a Redemption Account; the Series 2016C Costs of Issuance Fund; the Series 2016C Reserve Account in the Senior Reserve Fund; and the Series 2016C Rebate Fund.

Series 2016C Construction Fund. Amounts in the Series 2016C Construction Fund will be disbursed from time to time, upon requisition of the Commission, to pay the costs or to reimburse the Commission for costs incurred in connection with the portion of the projects for which the Senior Series 2016C Bonds were issued. While held by the Senior Trustee, amounts in the Series 2016C Construction Fund will not secure the Outstanding Senior Series 2016C Bonds. Amounts in the Series 2016C Construction Fund will be invested and reinvested in Permitted Investments as directed by the Commission and the earnings upon such fund will be credited to such fund.

Series 2016C Debt Service Fund. The Senior Trustee will deposit in the Interest Account of the Series 2016C Debt Service Fund a portion of the proceeds of the Senior Series 2016C Bonds representing capitalized interest on the Senior Series 2016C Bonds. Additionally, the Senior Trustee will deposit into the Interest Account of the Series 2016C Debt Service Fund amounts received from the Commission, as provided in the Senior Indenture, to be used to pay interest on the Senior Series 2016C Bonds. The Senior Trustee will also deposit into the Interest Account any other amounts deposited with the Senior Trustee for deposit in the Interest Account or transferred from other funds and accounts for deposit therein. Earnings on the Interest Account will be withdrawn and paid to the Commission on the Business Day following an Interest Payment Date for deposit into the Operating Fund, unless an Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such account.

The Senior Trustee will deposit into the Principal Account of the Series 2016C Debt Service Fund amounts received from the Commission to be used to pay principal of the Senior Series 2016C Bonds at maturity or pursuant to mandatory sinking fund redemption. The Senior Trustee will also deposit into the Principal Account any other amounts deposited with the Senior Trustee for deposit into the Principal Account or transferred from other funds and accounts for deposit therein. Earnings on the Principal Account will be withdrawn and paid to the Commission on the Business Day following a principal

payment date for deposit into the Operating Fund, unless an Event of Default exists under the Master Senior Indenture, in which event the earnings will be retained in such account.

The Senior Trustee will deposit into the Redemption Account of the Series 2016C Debt Service Fund amounts received from the Commission to be used to pay principal of and interest on the Senior Series 2016C Bonds which are to be optionally redeemed in advance of their maturity. Earnings on the Redemption Account will be retained in such account or paid to the Commission for deposit into the Operating Fund in accordance with instructions given to the Senior Trustee by an Authorized Commission Representative at the time of such deposit.

The Series 2016C Debt Service Fund will be invested and reinvested in Permitted Investments as directed by an Authorized Commission Representative.

Series 2016C Costs of Issuance Fund. The proceeds of the Senior Series 2016C Bonds deposited into the Series 2016C Costs of Issuance Fund will be disbursed by the Senior Trustee, from time to time, to pay Costs of Issuance of the Senior Series 2016C Bonds. Amounts in the Series 2016C Costs of Issuance Fund will be invested and reinvested in Permitted Investments as directed by the Commission and the earnings upon such amounts will be credited to the Series 2016C Debt Service Fund.

Senior Reserve Fund; Series 2016C Reserve Account. For a description of the Senior Reserve Fund, reference is made to the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Senior Bonds—Senior Reserve Fund” in the forepart of this Official Statement.

Series 2016C Rebate Fund. The Tenth Supplemental Senior Indenture creates the Series 2016C Rebate Fund established for the purpose of complying with certain provisions of the Code which require that the Commission pay to the United States of America the excess, if any, of the amounts earned on certain funds held by the Senior Trustee with respect to the Senior Series 2016C Bonds over the amounts which would have been earned on such funds if such funds earned interest at a rate equal to the yield on the Senior Series 2016C Bonds. Such excess is to be deposited into the Series 2016C Rebate Fund and periodically paid to the United States of America. The Series 2016C Rebate Fund while held by the Senior Trustee is held in trust for the benefit of the United States of America and is not pledged as security for nor available to make payment on the Senior Series 2016C Bonds.

APPENDIX C-4

SUMMARY OF THE MASTER SUBORDINATE INDENTURE

In addition to certain information contained under the captions “DESCRIPTION OF THE SERIES 2016C/D/E BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS” in the forepart of this Official Statement, the following is a summary of certain provisions of the Master Subordinate Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Master Subordinate Indenture.

Grant to Secure Subordinate Obligations; Pledge of Subordinate Revenues

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

Subordinate Repayment Obligations Afforded Status of Subordinate Obligations

If a Credit Provider or Liquidity Provider makes payment of principal or interest on a Subordinate Obligation or advances funds to purchase or provide for the purchase of Subordinate Obligations and is entitled to reimbursement thereof, pursuant to a separate written agreement with the Commission, but is not reimbursed, the Commission's Subordinate Repayment Obligation under such written agreement may, if so provided in the written agreement, be afforded the status of a Subordinate Obligation issued under the Master Subordinate Indenture, and, if afforded such status, the Credit Provider or Liquidity Provider will be the Subordinate Holder of such Subordinate Obligation, and such Subordinate Obligation will be deemed to have been issued at the time of the original Subordinate Obligation for which the Credit Facility or Liquidity Facility was provided and will not be subject to the issuance provisions of the Master Subordinate Indenture; provided, however, (unless otherwise provided in the Supplemental Subordinate Indenture pursuant to which the Subordinate Obligations are issued or in the agreement with the Credit Provider or Liquidity Provider): (a) interest will be due and payable semiannually and (b) principal will be due and payable not less frequently than annually and in such annual amounts as to amortize the principal amount thereof in (i) 30 years or, if shorter, (ii)(A) a term extending to the maturity date of the enhanced Subordinate Obligations or (B) if later, the final maturity of the Subordinate Repayment Obligation under the written agreement, and providing substantially level annual debt service payments, using the rate of interest set forth in the written repayment agreement which would apply to the Subordinate Repayment Obligation as of the date such amortization schedule is fixed. The principal amortized as described in the prior sentence will bear interest in accordance with the terms of the Subordinate Repayment Obligation. Any amount which comes due on the Subordinate Repayment Obligation by its terms and which is in excess of the amount treated as principal of and interest on a Subordinate Obligation will be a subordinated obligation of the Commission payable after its obligations to fund the Senior Bonds, the General Obligation Revenue Bonds and the Subordinate Obligations. This provision will not defeat or alter the rights of subrogation which any Credit Provider or Liquidity Provider may have under law or under the terms of any Supplemental Subordinate Indenture. The Subordinate Trustee may conclusively rely on a written certification by the Credit Provider or Liquidity Provider of the amount of such non-reimbursement and that such Subordinate Repayment Obligation is to be afforded the status of a Subordinate Obligation under the Master Subordinate Indenture.

Revenues and Funds

Funding of Subordinate Debt Service Funds. The Subordinate Trustee will, at least 15 Business Days prior to each Payment Date on any Subordinate Obligation, give the Commission notice by telephone, promptly confirmed in writing, of the Aggregate Required Deposits, after taking into account Subordinate Capitalized Interest, if any, on deposit in the Subordinate Debt Service Fund, required to be deposited with the Subordinate Trustee in order to make each payment of debt service coming due on such Payment Date. With respect to any Series of Subordinate Obligations, the Supplemental Subordinate Indenture under which such Subordinate Obligations are issued may provide for different times and methods of notifying the Commission of payment dates and amounts to accommodate the specific provisions of such Series and, in such event, the terms of such Supplemental Subordinate Indenture will control.

The Commission, at least five Business Days prior to each Payment Date, will withdraw from the Operating Fund and pay to the Subordinate Trustee the full Aggregate Required Deposits needed to make the interest and/or principal payments due on such Payment Date.

On any day on which the Subordinate Trustee receives funds from the Commission to be used to pay principal of or interest on Subordinate Obligations, the Subordinate Trustee will, if the amount received is fully sufficient to pay all amounts of principal and interest then due or becoming due on the

next Payment Date, deposit such amounts into the respective Subordinate Debt Service Funds for the Series of Subordinate Obligations for which such payments were made and any excess will be applied to pay all amounts of principal and interest becoming due on any subsequent Payment Dates. If, on any Payment Date, the Subordinate Trustee does not have sufficient amounts in the Subordinate Debt Service Funds (without regard to any amounts which may be available from Subordinate Debt Service Reserve Funds) to pay in full all amounts of principal and/or interest due on such date, the Subordinate Trustee will allocate the total amount which is available to make payment on such day (without regard to any amounts in the various Subordinate Debt Service Reserve Funds) as follows: first to the payment of interest then due on the Subordinate Obligations and, if the amount available will not be sufficient to pay in full all interest on the Subordinate Obligations then due, then pro rata among the Series according to the amount of interest then due, and second to the payment of principal then due on the Subordinate Obligations and, if the amount available will not be sufficient to pay in full all principal on the Subordinate Obligations then due, then pro rata among the Series according to the Subordinate Principal Amount then due on the Subordinate Obligations.

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

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

If the Subordinate Revenues are at any time insufficient to make the deposits required to make payments on the Subordinate Obligations, the Commission may, at its election, pay to the Subordinate Trustee funds from any available sources with the direction that such funds be deposited into the Subordinate Debt Service Funds or into a specified account or accounts or subaccount or subaccounts therein.

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

Payment of Principal and Interest.

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

Junior and Subordinated Obligations.

The Commission may, from time to time, incur indebtedness with a lien on Subordinate Revenues ranking junior and subordinate to the lien of the Subordinate Obligations. Such indebtedness will be incurred at such times and upon such terms as the Commission will determine, provided that: (a) any resolution or indenture of the Commission authorizing the issuance of any subordinate obligations will specifically state that such lien on or security interest granted in the Subordinate Revenues is junior and subordinate to the lien on and security interest in such Subordinate Revenues and other assets granted to secure the Subordinate Obligations; and (b) payment of principal of and interest on such subordinated obligations will be permitted, provided that all deposits required to be made to the Subordinate Trustee to be used to pay debt service on the Subordinate Obligations or to replenish the Subordinate Debt Service Reserve Fund, if any, are then current in accordance with the Master Subordinate Indenture.

Maintenance and Operation of Airport System.

The Commission has covenanted that the Airport System will at all times be operated and maintained in good working order and condition and that all lawful orders of any governmental agency or authority having jurisdiction in the premises will be complied with (provided the Commission will not be required to comply with any such orders so long as the validity or application thereof will be contested in good faith), and that all licenses and permits necessary to construct or operate any part of the Airport System will be obtained and maintained and that all necessary repairs, improvements and replacements of the Airport System will be made, subject to sound business judgment. The Commission will, from time to time, duly pay and discharge, or cause to be paid and discharged, except to the extent the imposition or payment thereof is being contested in good faith by the Commission, all taxes (if any), assessments or other governmental charges lawfully imposed upon the Airport System or upon any part thereof, or upon the Revenues, Net Revenues or Subordinate Revenues, when the same will become due, as well as any lawful claim for labor, materials or supplies or other charges which, if unpaid, might by law become a lien or charge upon the Revenues, Net Revenues or Subordinate Revenues or Airport System or any part thereof constituting part of the Airport System.

Investments

Moneys held by the Subordinate Trustee in the funds and accounts created in the Master Subordinate Indenture and under any Supplemental Subordinate Indenture will be invested and reinvested as directed by the Commission, in Permitted Investments subject to the restrictions set forth in the Master Subordinate Indenture and such Supplemental Subordinate Indenture and subject to the investment

restrictions imposed upon the Commission by the laws of the State, including, but not limited to, Minnesota Statutes Sections 118A.01 et seq. and 473.606 Subd. 3. The Commission will direct such investments by written certificate (upon which the Subordinate Trustee may conclusively rely) of an Authorized Commission Representative or by telephone instruction followed by prompt written confirmation by an Authorized Commission Representative; in the absence of any such instructions, the Subordinate Trustee will, to the extent practicable, invest in Permitted Investments specified in (b)(ii)(A) of the definition thereof, which includes a money market fund comprised of United States Obligations, or in a money market fund or account (which is generally referred to as the (WFF) Government Money Market Fund) of the Subordinate Trustee, provided it meets the requirements specified in (b)(ii)(I) of the definition of Permitted Investments, which are Permitted Investments under state law.

Defeasance

Subordinate Obligations or portions thereof (such portions to be in integral multiples of the authorized denomination) which have been paid in full or which are deemed to have been paid in full will no longer be secured by or entitled to the benefits of the Master Subordinate Indenture except for the purposes of payment from moneys or Government Obligations held by the Subordinate Trustee or a Subordinate Paying Agent for such purpose. When all Subordinate Obligations which have been issued under the Master Subordinate Indenture have been paid in full or are deemed to have been paid in full, and all other sums payable under the Master Subordinate Indenture by the Commission, including all necessary and proper fees, compensation and expenses of the Subordinate Trustee, the Subordinate Registrar and the Subordinate Paying Agent, have been paid or are duly provided for, then the right, title and interest of the Subordinate Trustee in and to the pledge of Subordinate Revenues and the other assets pledged to secure the Subordinate Obligations under the Master Subordinate Indenture will thereupon cease, terminate and become void, and thereupon the Subordinate Trustee will cancel, discharge and release the Master Subordinate Indenture, will execute, acknowledge and deliver to the Commission such instruments as will be requisite to evidence such cancellation, discharge and release and will assign and deliver to the Commission any property and revenues at the time subject to the Master Subordinate Indenture which may then be in the Subordinate Trustee's possession, except funds or securities in which such funds are invested and are held by the Subordinate Trustee or the Subordinate Paying Agent for the payment of the principal of, premium, if any, and interest on the Subordinate Obligations.

A Subordinate Obligation will be deemed to be paid within the meaning of the Master Subordinate Indenture and for all purposes of the Master Subordinate Indenture when payment of the principal, interest and premium, if any, either (a) will have been made or caused to be made in accordance with the terms of the Subordinate Obligations and the Master Subordinate Indenture or (b) will have been provided for by depositing with the Subordinate Trustee in trust and setting aside exclusively for such payment, (i) moneys sufficient to make such payment and/or (ii) noncallable Government Obligations, maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys to make such payment. At such times as Subordinate Obligations are deemed to be paid under the Master Subordinate Indenture, such Subordinate Obligations will no longer be secured by or entitled to the benefits of the Master Subordinate Indenture, except for the purposes of payment from such moneys or Government Obligations.

Any deposit under clause (b) of the foregoing paragraph will be deemed a payment of such Subordinate Obligations. Once such deposit has been made, the Subordinate Trustee will notify all Subordinate Holders of the affected Subordinate Obligations that the deposit required by (b) above has been made with the Subordinate Trustee and that such Subordinate Obligations are deemed to have been paid in accordance with the terms of the Master Subordinate Indenture. No notice of redemption will be required at the time of such defeasance or prior to such date as may be required by the Supplemental Subordinate Indenture under which such Subordinate Obligations were issued. The Commission may at

any time, prior to issuing such notice of redemption as may be required by the Supplemental Subordinate Indenture under which such Subordinate Obligations were issued, modify or otherwise change the scheduled date for the redemption or payment of any Subordinate Obligation deemed to be paid under the terms of the foregoing paragraph in accordance with the terms of the Subordinate Obligations or the Master Subordinate Indenture subject to (i) receipt of an approving opinion of Bond Counsel that such action will not adversely affect the tax-exemption of any Subordinate Obligation or Subordinate Obligations then Outstanding and (ii) receipt of an approving opinion of a nationally recognized accounting firm that there are sufficient moneys and/or Government Obligations to provide for the payment of such Subordinate Obligations. Notwithstanding anything in the Master Subordinate Indenture to the contrary, monies from the trust or escrow established for the defeasance of Subordinate Obligations may be withdrawn and delivered to the Commission so long as the requirements of clauses (i) and (ii) above are met prior to or concurrently with any such withdrawal.

Defaults and Remedies

Subordinate Events of Default. Each of the following events constitute and are referred to in the Master Subordinate Indenture as a “Subordinate Event of Default”:

(a) a failure to pay the principal of or premium, if any, on any of the Subordinate Obligations when the same will become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Subordinate Obligations when such interest will become due and payable;

(c) failure to pay the purchase price of any Subordinate Obligation when such purchase price will be due and payable upon an optional or mandatory tender date as provided in a Supplemental Subordinate Indenture;

(d) a failure by the Commission to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) and (c) of this section) that are to be observed or performed by the Commission and which are contained in the Master Subordinate Indenture or a Supplemental Subordinate Indenture, which failure, except for a violation under the rate covenant provisions of the Master Subordinate Indenture which will be controlled by the provisions set forth therein, will continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, will have been given to the Commission by the Subordinate Trustee, which notice may be given at the discretion of the Subordinate Trustee and will be given at the written request of Subordinate Holders of 25% or more of the Subordinate Principal Amount of the Subordinate Obligations then Outstanding, unless the Subordinate Trustee, or the Subordinate Trustee and the Subordinate Holders of Subordinate Obligations in a Subordinate Principal Amount not less than the Subordinate Principal Amount of Subordinate Obligations the Subordinate Holders of which requested such notice, will agree in writing to an extension of such period prior to its expiration; provided, however, that the Subordinate Trustee or the Subordinate Trustee and the Subordinate Holders of such principal amount of Subordinate Obligations will be deemed to have agreed to an extension of such period if corrective action is initiated by the Commission within such period and is being diligently pursued until such failure is corrected;

(e) bankruptcy, reorganization, arrangement, insolvency or liquidation proceedings, including without limitation proceedings under Chapter 9 of the United States Bankruptcy Code (as the same may from time to time be hereafter amended), or other proceedings for relief under any federal or state bankruptcy law or similar law for the relief of debtors are instituted by or

against the Commission and, if instituted against the Commission, said proceedings are consented to or are not dismissed within 60 days after such institution;

(f) the occurrence of any other Subordinate Event of Default as is provided in a Supplemental Subordinate Indenture; or

(g) a default in the payment of principal of or interest on any General Obligation Revenue Bonds or Senior Bonds.

If, on any date on which payment of principal of or interest on the Subordinate Obligations is due and sufficient moneys are not on deposit with the Subordinate Trustee or Paying Agent to make such payment, the Subordinate Trustee will give telephone notice of such insufficiency to the Commission.

Remedies.

(a) Upon the occurrence and continuance of any Subordinate Event of Default, the Subordinate Trustee in its discretion may, and upon the written direction of the Subordinate Holders of 25% or more of the Principal Amount of the Subordinate Obligations then Outstanding and receipt of indemnity to its satisfaction, will, in its own name and as the Subordinate Trustee of an express trust:

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Subordinate Holders, and require the Commission to carry out any agreements with or for the benefit of the Subordinate Holders and to perform its or their duties under the Act or any other law to which it is subject and the Master Subordinate Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of the Master Subordinate Indenture;

(ii) bring suit upon the Subordinate Obligations;

(iii) commence an action or suit in equity to require the Commission to account as if it were the trustee of an express trust for the Subordinate Holders; or

(iv) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Subordinate Holders.

(b) The Subordinate Trustee will be under no obligation to take any action with respect to any Subordinate Event of Default unless the Subordinate Trustee has actual knowledge of the occurrence of such Subordinate Event of Default.

(c) In no event, upon the occurrence and continuation of a Subordinate Event of Default, will the Subordinate Trustee, the Subordinate Holders, a Credit Provider or any other party have the right to accelerate the payment of principal of and interest on the Subordinate Obligations Outstanding.

Holders' Right To Direct Proceedings. Anything in the Master Subordinate Indenture to the contrary notwithstanding, Holders of a majority of the Subordinate Principal Amount of the Subordinate Obligations then Outstanding will have the right, at any time, by an instrument in writing executed and delivered to the Subordinate Trustee, to direct the time, method and place of conducting all remedial proceedings available to the Subordinate Trustee under the Master Subordinate Indenture to be taken in connection with the enforcement of the terms of the Master Subordinate Indenture or exercising any trust

or power conferred on the Subordinate Trustee by the Master Subordinate Indenture; provided that such direction will not be otherwise than in accordance with the provisions of the law and the Master Subordinate Indenture and that there will have been provided to the Subordinate Trustee security and indemnity satisfactory to the Subordinate Trustee against the costs, expenses and liabilities to be incurred as a result thereof by the Subordinate Trustee.

Limitation on Right To Institute Proceedings. No Subordinate Holder will have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power under the Master Subordinate Indenture, or any other remedy under the Master Subordinate Indenture or on such Subordinate Obligations, unless such Subordinate Holder or Subordinate Holders previously will have given to the Subordinate Trustee written notice of a Subordinate Event of Default as hereinabove provided and unless also Subordinate Holders of 25% or more of the Subordinate Principal Amount of the Subordinate Obligations then Outstanding will have made written request of the Subordinate Trustee to do so, after the right to institute such suit, action or proceeding under the Master Subordinate Indenture will have accrued, and will have afforded the Subordinate Trustee a reasonable opportunity to proceed to institute the same in either its or their name, and unless there also will have been offered to the Subordinate Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby, and the Subordinate Trustee will not have complied with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Subordinate Trustee, to be conditions precedent to the institution of such suit, action or proceeding; it being understood and intended that no one or more of the Subordinate Holders will have any right in any manner whatever by its or their action to affect, disturb or prejudice the security of the Master Subordinate Indenture, or to enforce any right under the Master Subordinate Indenture or under the Subordinate Obligations, except in the manner provided under the Master Subordinate Indenture, and that all suits, actions and proceedings at law or in equity will be instituted, had and maintained in the manner provided under the Master Subordinate Indenture and for the equal benefit of all Subordinate Holders.

Application of Moneys. If a Subordinate Event of Default will occur and be continuing, all amounts then held or any moneys received by the Subordinate Trustee, by any receiver or by any Subordinate Holder pursuant to any right given or action taken under the provisions of the Master Subordinate Indenture (which will not include moneys provided through a Credit Facility, which moneys will be restricted to the specific use for which such moneys were provided), after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the Subordinate Trustee (including attorneys' fees and disbursements), will be applied as follows: (a) first, to the payment to the persons entitled thereto of all installments of interest then due on the Subordinate Obligations, with interest on overdue installments, if lawful, at the rate per annum as provided in any Supplemental Subordinate Indenture, as the case may be, in the order of maturity of the installments of such interest and, if the amount available will not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (b) second, to the payment to the persons entitled thereto of the unpaid principal amount of any of the Subordinate Obligations which will have become due with interest on such Subordinate Obligations at such rate as provided in a Supplemental Subordinate Indenture from the respective dates upon which they became due and, if the amount available will not be sufficient to pay in full Subordinate Obligations on any particular date determined to be the payment date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this section, such moneys will be applied at such times, and from time to time, as the Subordinate Trustee will determine, having due

regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future.

The Subordinate Trustee

Standard of Care. If a Subordinate Event of Default has occurred and is continuing, the Subordinate Trustee will exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

The Subordinate Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that: (a) the Subordinate Trustee will not be liable for any error of judgment made in good faith by a Responsible Officer unless the Subordinate Trustee was negligent in ascertaining the pertinent facts; and (b) the Subordinate Trustee will not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Subordinate Holders or the Commission in the manner provided in the Master Subordinate Indenture.

Notice of Defaults. If (a) a Subordinate Event of Default has occurred or (b) an event has occurred which with the giving of notice and/or the lapse of time would be a Subordinate Event of Default and, with respect to such events for which notice to the Commission is required before such events will become Subordinate Events of Default, such notice has been given, then the Subordinate Trustee will promptly, after obtaining actual notice of such Subordinate Event of Default or event described in (b) of the first sentence of this section, give notice thereof to each Subordinate Holder. Except in the case of a default in payment or purchase on any Subordinate Obligations, the Subordinate Trustee may withhold the notice if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the Subordinate Holders.

Individual Rights of Trustee. The Subordinate Trustee in its individual or any other capacity may become the owner or pledgee of Subordinate Obligations and may otherwise deal with the Commission with the same rights it would have if it were not Subordinate Trustee. Any Subordinate Paying Agent or other agent may do the same with like rights. Notwithstanding the prior two sentences, in the event the Subordinate Trustee and/or the Subordinate Paying Agent become the owner or pledgee of Subordinate Obligations and a conflict of interest arises between the Subordinate Trustee's role as trustee under the Master Subordinate Indenture and its role as owner or pledgee of Subordinate Obligations and/or the Subordinate Paying Agent's role as paying agent under the Master Subordinate Indenture and its role as owner or pledgee of Subordinate Obligations, the Subordinate Trustee and/or the Subordinate Paying Agent, as the case may be, will resign as Subordinate Trustee and Subordinate Paying Agent, respectively. If at any time the Subordinate Trustee is acting as trustee or such other fiduciary for the Senior Bonds and a Subordinate Event of Default has occurred or is occurring or such other event that has caused a conflict to arise between the Subordinate Trustee's role as trustee under the Master Subordinate Indenture and the Master Senior Indenture, the Subordinate Trustee will prioritize its fiduciary obligations by first protecting the interest of the Bondholders under the Master Senior Indenture and then protecting the interests of Subordinate Holders under the Master Subordinate Indenture. If the Subordinate Trustee is unable to resolve any such conflicts that may arise, the Subordinate Trustee will resign (or be removed by the Commission) as trustee under the Master Subordinate Indenture or as trustee under the Master Senior Indenture that have created such conflict.

Eligibility of Subordinate Trustee. The Master Subordinate Indenture will always have a Subordinate Trustee that is a trust company, banking association or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the

District of Columbia, is authorized to conduct trust business under the laws of the State, is subject to supervision or examination by United States, state or District of Columbia authority and has (together with its corporate parent) a combined capital and surplus of at least \$100,000,000 as set forth in its most recent published annual report of condition.

Replacement of Subordinate Trustee. The Subordinate Trustee may resign by notifying the Commission in writing prior to the proposed effective date of the resignation. The Subordinate Holders of a majority in Subordinate Principal Amount of the Subordinate Obligations may remove the Subordinate Trustee by notifying the removed Subordinate Trustee and may appoint a successor Subordinate Trustee with the Commission's consent. The Commission may remove the Subordinate Trustee, by notice in writing delivered to the Subordinate Trustee at least 60 days prior to the proposed removal date; provided, however, that the Commission will have no right to remove the Subordinate Trustee during any time when a Subordinate Event of Default has occurred and is continuing or when an event has occurred and is continuing or condition exists which with the giving of notice or the passage of time or both would be a Subordinate Event of Default.

No resignation or removal of the Subordinate Trustee under this section will be effective until a new Subordinate Trustee has taken office and delivered a written acceptance of its appointment to the retiring Subordinate Trustee and to the Commission. Immediately thereafter, the retiring Subordinate Trustee will transfer all property held by it as Subordinate Trustee to the successor Subordinate Trustee, the resignation or removal of the retiring Subordinate Trustee will then (but only then) become effective and the successor Subordinate Trustee will have all the rights, powers and duties of the Subordinate Trustee under the Master Subordinate Indenture.

If the Subordinate Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under the Master Subordinate Indenture, the Commission will promptly appoint a successor Subordinate Trustee.

If a Subordinate Trustee is not performing its duties under the Master Subordinate Indenture and a successor Subordinate Trustee does not take office within 60 days after the retiring Subordinate Trustee delivers notice of resignation or the Commission delivers notice of removal, the retiring Subordinate Trustee, the Commission or the Subordinate Holders of a majority in Subordinate Principal Amount of the Subordinate Obligations may petition any court of competent jurisdiction for the appointment of a successor Subordinate Trustee.

Amendments

Amendments Not Requiring Consent of Holders. The Commission may, from time to time and at any time, without the consent of or notice to the Subordinate Holders, execute and deliver Supplemental Subordinate Indentures supplementing and/or amending the Master Subordinate Indenture or any Supplemental Subordinate Indenture as follows:

- (a) to provide for the issuance of a Series or multiple Series of Subordinate Obligations under the provisions of the Master Subordinate Indenture and to set forth the terms of such Subordinate Obligations and the special provisions which will apply to such Subordinate Obligations;
- (b) to cure any formal defect, omission, inconsistency or ambiguity in, or answer any questions arising under, the Master Subordinate Indenture or any Supplemental Subordinate Indenture, provided such supplement or amendment is not materially adverse to the Subordinate Holders;

(c) to add to the covenants and agreements of the Commission in the Master Subordinate Indenture or any Supplemental Subordinate Indenture other covenants and agreements, or to surrender any right or power reserved or conferred upon the Commission, provided such supplement or amendment will not adversely affect the interests of the Subordinate Holders;

(d) to confirm, as further assurance, any interest of the Subordinate Trustee in and to the pledge of Subordinate Revenues or in and to the funds and accounts held by the Subordinate Trustee or in and to any other moneys, securities or funds of the Commission provided pursuant to the Master Subordinate Indenture or to otherwise add additional security for the Subordinate Holders;

(e) to evidence any change made in the terms of any Series of Subordinate Obligations if such changes are authorized by a Supplemental Subordinate Indenture at the time the Series of Subordinate Obligations is issued and such change is made in accordance with the terms of such Supplemental Subordinate Indenture;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as amended from time to time;

(g) to modify, alter, amend or supplement the Master Subordinate Indenture or any Supplemental Subordinate Indenture in any other respect which is not materially adverse to the Subordinate Holders;

(h) to provide for uncertificated Subordinate Obligations or for the issuance of coupons and bearer Subordinate Obligations or Subordinate Obligations registered only as to principal;

(i) to qualify the Subordinate Obligations or a Series of Subordinate Obligations for a rating or ratings from a Rating Agency;

(j) to accommodate the technical, operational and structural features of Subordinate Obligations which are issued or are proposed to be issued or of a Subordinate Program which has been authorized or is proposed to be authorized, including, but not limited to, changes needed to accommodate commercial paper, auction bonds, variable rate or adjustable rate bonds, discounted or compound interest bonds or other forms of indebtedness which the Commission from time to time deems appropriate to incur;

(k) to accommodate the use of a Credit Facility or Liquidity Facility for specific Subordinate Obligations or a specific Series of Subordinate Obligations; and

(l) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the federal income taxation of the interest on the Subordinate Obligations, including, without limitation, the segregation of Subordinate Revenues into different funds.

Before the Commission will, pursuant to this section, execute any Supplemental Subordinate Indenture, there will have been delivered to the Commission and the Subordinate Trustee an opinion of Bond Counsel to the effect that such Supplemental Subordinate Indenture: (i) is authorized or permitted by the Master Subordinate Indenture, the Act and other applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Commission in

accordance with its terms and (ii) will not cause interest on any of the Subordinate Obligations which is then excluded from gross income of the recipient thereof for federal income tax purposes to be included in gross income for federal income tax purposes. The opinion of Bond Counsel set forth clause (ii) in the preceding sentence will not be required for a Supplemental Subordinate Indenture executed and delivered in accordance with subsection (a) above.

Amendments Requiring Consent of Subordinate Holders. Except for any Supplemental Subordinate Indenture entered into pursuant to the above section and any Supplemental Subordinate Indenture entered into pursuant to the following paragraph, subject to the terms and provisions contained in this section and not otherwise, the Subordinate Holders of not less than a majority in aggregate Subordinate Principal Amount of the Subordinate Obligations then Outstanding will have the right from time to time to consent to and approve the execution by the Commission of any Supplemental Subordinate Indenture deemed necessary or desirable by the Commission for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in the Master Subordinate Indenture or in a Supplemental Subordinate Indenture; provided, however, that, unless approved in writing by the Subordinate Holders of all the Subordinate Obligations then Outstanding or unless such change affects less than all Series of Subordinate Obligations and the following subsection (b) is applicable, nothing herein contained will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Subordinate Obligations or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Obligations or the rate of interest thereon; and provided that nothing herein contained, including the provisions of the following paragraph, will, unless approved in writing by the holders of all the Subordinate Obligations then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by the Master Subordinate Indenture) upon or pledge of the Subordinate Revenues created by the Master Subordinate Indenture, ranking prior to or on a parity with the claim created by the Master Subordinate Indenture, (iv) except with respect to additional security which may be provided for a particular Series of Subordinate Obligations, a preference or priority of any Subordinate Obligation or Subordinate Obligations over any other Subordinate Obligation or Subordinate Obligations with respect to the security granted therefor under the Granting Clauses of the Master Subordinate Indenture, or (v) a reduction in the aggregate Subordinate Principal Amount of Subordinate Obligations the consent of the Subordinate Holders of which is required for any such Supplemental Subordinate Indenture. Nothing contained in the Master Subordinate Indenture, however, will be construed as making necessary the approval by Subordinate Holders of the execution of any Supplemental Subordinate Indenture as authorized in the section above, including the granting, for the benefit of particular Series of Subordinate Obligations, security in addition to the pledge of the Subordinate Revenues.

The Commission may, from time to time and at any time, execute a Supplemental Subordinate Indenture which amends the provisions of an earlier Supplemental Subordinate Indenture under which a Series or multiple Series of Subordinate Obligations were issued. If such Supplemental Subordinate Indenture is executed for one of the purposes set forth in the previous section, no notice to or consent of the Subordinate Holders will be required. If such Supplemental Subordinate Indenture contains provisions which affect the rights and interests of less than all Series of Subordinate Obligations Outstanding and the previous section is not applicable, then this subsection rather than the subsection above will control and, subject to the terms and provisions contained in this section and not otherwise, the Subordinate Holders of not less than 51% in aggregate Subordinate Principal Amount of the Subordinate Obligations of all Series of Subordinate Obligations Outstanding which are affected by such changes will have the right from time to time to consent to any Supplemental Subordinate Indenture deemed necessary or desirable by the Commission for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Subordinate Indenture and affecting only the Subordinate Obligations of such Series; provided, however, that, unless

approved in writing by the Subordinate Holders of all the Subordinate Obligations of all the affected Series then Outstanding, nothing contained in the Master Subordinate Indenture will permit, or be construed as permitting, (i) a change in the scheduled times, amounts or currency of payment of the principal of, interest on or Accreted Value of any Outstanding Subordinate Obligations of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Obligations of such Series or the rate of interest thereon.

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APPENDIX C-5

SUMMARY OF THE SIXTEENTH SUPPLEMENTAL SUBORDINATE INDENTURE

In addition to certain information contained under the captions “DESCRIPTION OF THE SERIES 2016C/D/E BONDS” and “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS” in the forepart of this Official Statement, the following is a summary of certain provisions of the Sixteenth Supplemental Subordinate Indenture. Such summary is only a brief description of limited provisions of such document and is qualified in its entirety by reference to the full text of the Sixteenth Supplemental Subordinate Indenture.

Terms of the Subordinate Series 2016D/E Bonds

The Sixteenth Supplemental Subordinate Indenture sets forth the terms of the Subordinate Series 2016D/E Bonds, most of which terms are described in the forepart of this Official Statement under “DESCRIPTION OF THE SERIES 2016C/D/E BONDS.”

Establishment of Funds

Pursuant to the Sixteenth Supplemental Subordinate Indenture, the Subordinate Trustee will establish and maintain the following funds and accounts: the Series 2016D Debt Service Fund and within the Series 2016D Debt Service Fund an Interest Account, a Principal Account and a Redemption Account; the Series 2016E Construction Fund; the Series 2016E Debt Service Fund and within the Series 2016E Debt Service Fund an Interest Account, a Principal Account and a Redemption Account; the Series 2016D/E Costs of Issuance Fund; the Series 2016D Reserve Account in the Subordinate Reserve Fund; the Series 2016E Reserve Account in the Subordinate Reserve Fund; and the Series 2016D Rebate Fund.

Series 2016D Debt Service Fund. The Subordinate Trustee will deposit into the Interest Account of the Series 2016D Debt Service Fund amounts received from the Commission, as provided in the Subordinate Indenture, to be used to pay interest on the Subordinate Series 2016D Bonds. The Subordinate Trustee will also deposit into the Interest Account any other amounts deposited with the Subordinate Trustee for deposit in the Interest Account or transferred from other funds and accounts for deposit therein. Earnings on the Interest Account will be withdrawn and paid to the Commission on the Business Day following an Interest Payment Date for deposit into the Operating Fund, unless an Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such account.

The Subordinate Trustee will deposit into the Principal Account of the Series 2016D Debt Service Fund amounts received from the Commission to be used to pay principal of the Subordinate Series 2016D Bonds at maturity or pursuant to mandatory sinking fund redemption. The Subordinate Trustee will also deposit into the Principal Account any other amounts deposited with the Subordinate Trustee for deposit into the Principal Account or transferred from other funds and accounts for deposit therein. Earnings on the Principal Account will be withdrawn and paid to the Commission on the Business Day following a principal payment date for deposit into the Operating Fund, unless an Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such account.

The Subordinate Trustee will deposit into the Redemption Account of the Series 2016D Debt Service Fund amounts received from the Commission to be used to pay principal of and interest on the Subordinate Series 2016D Bonds which are to be optionally redeemed in advance of their maturity. Earnings on the Redemption Account will be retained in such account or paid to the Commission for

deposit into the Operating Fund in accordance with instructions given to the Subordinate Trustee by an Authorized Commission Representative at the time of such deposit.

The Series 2016D Debt Service Fund will be invested and reinvested in Permitted Investments as directed by an Authorized Commission Representative.

Series 2016E Construction Fund. Amounts in the Series 2016E Construction Fund will be disbursed from time to time, upon requisition of the Commission, to pay the costs or to reimburse the Commission for costs incurred in connection with the portion of the projects for which the Subordinate Series 2016E Bonds were issued. While held by the Subordinate Trustee, amounts in the Series 2016E Construction Fund will not secure the Outstanding Subordinate Series 2016E Bonds. Amounts in the Series 2016E Construction Fund will be invested and reinvested in Permitted Investments as directed by the Commission and the earnings upon such fund will be credited to such fund.

Series 2016E Debt Service Fund. The Subordinate Trustee will deposit into the Interest Account of the Series 2016E Debt Service Fund amounts received from the Commission, as provided in the Subordinate Indenture, to be used to pay interest on the Subordinate Series 2016E Bonds. The Subordinate Trustee will also deposit into the Interest Account any other amounts deposited with the Subordinate Trustee for deposit in the Interest Account or transferred from other funds and accounts for deposit therein. Earnings on the Interest Account will be withdrawn and paid to the Commission on the Business Day following an Interest Payment Date for deposit into the Operating Fund, unless an Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such account.

The Subordinate Trustee will deposit into the Principal Account of the Series 2016E Debt Service Fund amounts received from the Commission to be used to pay principal of the Subordinate Series 2016E Bonds at maturity or pursuant to mandatory sinking fund redemption. The Subordinate Trustee will also deposit into the Principal Account any other amounts deposited with the Subordinate Trustee for deposit into the Principal Account or transferred from other funds and accounts for deposit therein. Earnings on the Principal Account will be withdrawn and paid to the Commission on the Business Day following a principal payment date for deposit into the Operating Fund, unless an Event of Default exists under the Master Subordinate Indenture, in which event the earnings will be retained in such account.

The Subordinate Trustee will deposit into the Redemption Account of the Series 2016E Debt Service Fund amounts received from the Commission to be used to pay principal of and interest on the Subordinate Series 2016E Bonds which are to be optionally redeemed in advance of their maturity. Earnings on the Redemption Account will be retained in such account or paid to the Commission for deposit into the Operating Fund in accordance with instructions given to the Subordinate Trustee by an Authorized Commission Representative at the time of such deposit.

The Series 2016E Debt Service Fund will be invested and reinvested in Permitted Investments as directed by an Authorized Commission Representative.

Series 2016D/E Costs of Issuance Fund. The proceeds of the Subordinate Series 2016D/E Bonds deposited into the Series 2016D/E Costs of Issuance Fund will be disbursed by the Subordinate Trustee, from time to time, to pay Costs of Issuance of the Subordinate Series 2016D/E Bonds. Amounts in the Series 2016D/E Costs of Issuance Fund will be invested and reinvested in Permitted Investments as directed by the Commission and the earnings upon such amounts will be credited to the Series 2016D Debt Service Fund and the Series 2016E Debt Service Fund.

Subordinate Reserve Fund, Series 2016D Reserve Account and Series 2016E Reserve Account. For a description of the Subordinate Reserve Fund, reference is made to the caption “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016C/D/E BONDS—Subordinate Obligations—Subordinate Reserve Fund” in the forepart of this Official Statement.

Series 2016D Rebate Fund. The Sixteenth Supplemental Subordinate Indenture creates the Series 2016D Rebate Fund established for the purpose of complying with certain provisions of the Code which require that the Commission pay to the United States of America the excess, if any, of the amounts earned on certain funds held by the Subordinate Trustee with respect to the Subordinate Series 2016D Bonds over the amounts which would have been earned on such funds if such funds earned interest at a rate equal to the yield on the Subordinate Series 2016D Bonds. Such excess is to be deposited into the Series 2016D Rebate Fund and periodically paid to the United States of America. The Series 2016D Rebate Fund while held by the Subordinate Trustee is held in trust for the benefit of the United States of America and is not pledged as security for nor available to make payment on the Subordinate Series 2016D Bonds.

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APPENDIX D

SUMMARY OF CERTAIN PROVISIONS OF THE AIRLINE LEASE AGREEMENTS

The following is a summary of certain provisions of the Airline Lease Agreements and is qualified in its entirety by reference to the Airline Lease Agreements, copies of which are available from the Commission.

Certain Definitions

The following are definitions of certain terms used in this Appendix D. Capitalized terms used in this Appendix D, but not otherwise defined herein, have the meanings set forth in the forepart of this Official Statement and in Appendix C-1 of this Official Statement.

“*Airline*” means an entity that operates an Air Transportation Business at the Airport.

“*Airline Rented Space*” means the aggregate of that portion of Rentable Space under lease to all Signatory Airlines.

“*Air Transportation Business*” means the carriage by aircraft of persons or property as a common carrier for compensation or hire, or the carriage of mail by aircraft in commerce, and activities directly related thereto.

“*Airport*” means Minneapolis-St. Paul International Airport located in Hennepin County, Minnesota, including but not limited to those contiguous and non-contiguous areas described in the Airline Lease Agreement, together with any additions thereto, or improvements or enlargements thereof, hereafter made, whether contiguous or not.

“*Airport Cost Centers*” means areas of the Airport and the Airport System to be used in accounting for airport revenues and expenses and for calculating and adjusting certain rents, fees, and charges described in the Airline Lease Agreement as such areas now exist or may hereafter be modified or extended, and as more particularly described below:

“Airfield” means the runways, taxiways, approach and clear zones, safety areas, infield areas, landing and navigational aids, and other facilities and land areas which are not leased to any entity and are required by or related to aircraft operations (landings, takeoffs, and taxiing) at the Airport and other facilities including, but not limited to, the control tower, roads, tunnels, and collection and processing facilities for deicing agents and shall include on-Airport noise costs and Off-Airport Aircraft Noise Costs, but excluding any areas under lease at any time.

“Terminal Building” means the passenger terminal buildings known as the Lindbergh Terminal, the Southwest Addition, Concourses A, B, C, D, E, F and G, including but not limited to, underground parking beneath the Lindbergh Terminal, a portion of the auto rental/parking/terminal people mover, the Ground Transportation Center (the “GTC”), skyways, the IAF and the Energy Management Center, the Delta Sky Club, together with additions and/or changes thereto.

“Terminal Apron” and “Terminal Ramp” shall be interchangeable terms and both terms shall mean the airport parking apron at Terminal 1-Lindbergh as shown in the Airline Lease Agreements, together with any additions and/or changes thereto.

“G Concourse” (formerly known as “Gold Concourse”) means the original Loading Pier A which consists of gates 1-9, the Loading Pier A Extension which consists of the balance of the gates (gates 10 through the end of the concourse) (but excluding the Delta Sky Club), and the Delta portion of the IAF penthouse space (but excluding the non-Delta portion of the IAF penthouse space).

“Humphrey Terminal” means Terminal 2 - Hubert H. Humphrey Terminal building located on 34th Avenue South at the Airport or any replacement facility.

“International Arrivals Facility” or “IAF” shall be interchangeable terms and both terms shall mean the space in the Terminal Complex utilized for the arrival and departure of international flights.

“Reliever Airports” means the general aviation airports owned and operated by Commission, including but not limited to St. Paul Downtown Airport, Flying Cloud Airport, Crystal Airport, Anoka County-Blaine Airport, Lake Elmo Airport, and Airlake Airport.

“Landside Area” means the upper and lower level terminal roadways, the inbound and outbound terminal roads, the commercial lane, rental car service and storage areas, a portion of the auto rental/parking/terminal people mover, rental car ready/return areas, skyways, and the automobile parking areas (except the underground parking beneath the Lindbergh Terminal) at the Airport.

“Equipment Buildings” means the building and ground areas at the Airport provided for the storage of equipment owned and/or rented/leased by MAC including, but not limited to, shops, storage facilities, and vehicle parking areas.

“ARFF” means the building and ground areas at the Airport provided for aircraft rescue and firefighting functions.

“Police” means the building and ground areas at the Airport provided for police functions.

“Administration” means the building and ground areas at the Airport provided for MAC administration activities including, but not limited to, the general office building and the Terminal Building.

“Other Areas” means all other direct cost building and ground areas at the Airport provided for general aviation, cargo, aircraft maintenance, and other aviation- and nonaviation-related activities.

“*Airport Bonds*” means general airport revenue bonds, general obligation bonds, commercial paper, and other forms of indebtedness incurred or assumed by the Commission in connection with the ownership or operation of the Airport System and payable from MAC revenues.

“*Airport System*” means the Airport and the Reliever Airports.

“*Annual Gross Revenue*” means rent, concessions fees or similar charges actually received during any Fiscal Year by the Commission from Selected Concessions. Annual Gross Revenue will not include sales taxes, utility fees, consortium fees, key money, customer facilities charges or other similar “pass through” charges. Annual Gross Revenue will be reduced by any amount paid to the Airport Foundation

MSP by the Commission for services provided at the Airport, subject to a cap of \$700,000 per year in 2016, escalating at 2% per year thereafter. The Commission may increase this cap unless such increase is disapproved by a Majority-In-Interest of the Signatory Airlines.

“*Auto Rental Concessions*” means all auto rental companies or other business organizations operating at either the Lindbergh or Humphrey Terminals pursuant to concessions agreements with the Commission.

“*Capital Cost*” (or a phrase of similar import) means the sum of (a) project costs, which includes any expenditures to acquire, construct, or equip a Capital Project, together with related costs such as planning fees, architectural and engineering fees, program management fees, construction management fees, fees for environmental studies, testing fees, inspection fees, impact fees, other direct and allocable fees, and interest during construction, and (b) financing costs, if any, such as capitalized interest, costs of issuance, and funding of mandatory reserves with bond proceeds. In the case of estimates, Capital Costs also include an allowance for contingencies.

“*Capital Project*” means (a) the acquisition of land or easements; (b) the purchase of machinery, equipment, or rolling stock; (c) the planning, engineering, design, and construction of new facilities; (d) the remediation of environmental contamination, including noise mitigation, or expenditures to prevent or protect against such contamination; or (e) the performance of any extraordinary, non-recurring major maintenance of existing facilities that may be acquired, purchased, or constructed by Commission to improve, maintain, or develop the Airport; provided, however, that any single item of the foregoing has a Capital Cost of \$100,000 or more and a useful life in excess of three years.

“*Capital Outlay*” means any item that fails to meet the cost threshold and useful life criterion necessary to qualify as a Capital Project.

“*Commission*” and “*MAC*” shall be interchangeable terms and both terms shall mean the Metropolitan Airports Commission, a public corporation organized and operating pursuant to Chapter 500, Laws of Minnesota 1943 and amendments thereto.

“*Common Use Formula*” means a formula that prorates the cost of a service or space among those Airlines actually using the service or space as follows: 20% of the cost equally among each such Airline and 80% of the cost on the basis of that proportion which the number of each such Airline’s Enplaned Passengers at the Airport bears to the total number of Enplaned Passengers of all such Airlines at the Airport; provided, however, that Airlines that only operated aircraft with 40 seats or less during the relevant period will be excluded from the proration of the 20% of costs, but included in the proration of 80% of costs.

“*Current Cost Estimate*” means as of the date of the estimate, the total project costs in then current dollars, for one or more or all of the 2010 Plan Airfield Programs, as the context shall determine, as estimated by MAC. The Current Cost Estimate shall reflect actual costs for completed projects, bid amounts when available, and change orders accepted by MAC (including contingencies).

“*Coverage Account*” means the Coverage Account established and maintained pursuant to the terms of the Trust Indenture.

“*Date of Beneficial Occupancy*” or “*DBO*” means the earlier of (a) the date on which the Commission certifies that Premises or Capital Project are available for beneficial use or (b) the date on which beneficial use is first made of Premises or Capital Project; provided, however, that with respect to

land and other non-depreciable assets, the date on which beneficial occupancy occurs is the date of closing.

“*Debt Service*” means the aggregate amount of principal and interest payments made by the Commission that are due and payable during the Fiscal Year on the Commission financings including but not limited to all future and existing general obligation revenue bonds, airport revenue bonds, refunding obligations, commercial paper (excluding the principal amount of commercial paper reissued during the Fiscal Year) and other debt instruments of the Commission and specifically including, but not limited to, the Senior Bonds, the General Obligation Revenue Bonds, the Subordinate Bonds, the Subordinate Commercial Paper Notes and certain equipment leases. In addition, debt service also includes: (i) amounts paid as prepayment of obligations, if such prepayment is deemed approved by a Majority-In-Interest of Signatory Airlines pursuant to the provisions of Airline Lease Agreements, or (ii) principal and interest in accordance with its original scheduled amortization for any prepayment made by the Commission which is not deemed approved by the Majority-In-Interest of Signatory Airlines in accordance with (i) above, until such time as the original principal amount of such prepaid obligation has been recovered by the Commission.

“*Executive Director/Chief Executive Officer*” means Commission’s Executive Director/Chief Executive Officer or such other person designated by the Executive Director to exercise functions with respect to the rights and obligations of Commission under this Agreement.

“*Enplaned Passengers*” means all Originating Passengers and connecting passengers boarded at the Airport, including passengers traveling on frequent flyer coupons, but excluding Through Passengers and Non-Revenue Passengers.

“*FAA*” means the Federal Aviation Administration of the U.S. Government or any federal agencies succeeding to its jurisdiction.

“*Fiscal Year*” refers to Commission’s fiscal year and means the twelve-month period commencing on January 1 and ending December 31.

“*Facilities Construction Credit*” or “*Facilities Construction Credits*” means the amounts resulting from an arrangement embodied in a written agreement of the Commission and an Airline pursuant to which the Commission permits such Airline to make a payment or payments to the Commission which is reduced by the amount owed by the Commission to such Airline as a result of such Airline upfronting and paying for the cost of construction of MAC improvements under such agreement, resulting in a net payment to the Commission by such Airline. The “*Facilities Construction Credit*” shall be deemed to be the amount owed by the Commission under such agreement which is “netted” against the payment of such Airline to the Commission.

“*Food and Beverage Concessions*” means companies or other business organizations that principally sell consumable food or beverages items, excluding vending operations, to the traveling public at the Lindbergh or Humphrey Terminals, pursuant to concessions agreements with the Commission.

“*Lindbergh Terminal Repair and Replacement Surcharge*” means the amount equal to 21.9% of the Repair and Replacement Amount divided by Airline Rented Space. This allocation may be adjusted on January 1, 2016 and at any time thereafter based on increases to the cost center’s book value.

“*Landing Fee Repair and Replacement Amount*” means an amount equal to 65.6% of the Repair and Replacement Amount. This allocation may be adjusted on January 1, 2016 or anytime thereafter based on increases to the cost center’s book value.

“*Maximum Certificated Gross Landing Weight*” means the maximum gross landing weight in thousand-pound units based on the current FAA Type Certificate Data Sheet applicable to the particular type, design, and model of aircraft.

“*Majority-In-Interest*” (“*MIP*”) means the Signatory Airlines who (a) represent no less than 50% in number of the Signatory Airlines operating at the time of the voting action and (b) paid no less than 40% of landing fees incurred by Signatory Airlines during the preceding Fiscal Year. No Airline shall be deemed a Signatory Airline for the purpose of determining a Majority-In-Interest so long as the Commission has given written notice of an event of default to such Airline and the event of default is continuing at the time of the voting action.

“*Merchandise Concessions*” means companies or other business organizations that principally sell retail or news products, excluding automated vending items, to the traveling public at the Lindbergh or Humphrey Terminals, pursuant to concessions agreements with the Commission.

“*Non-Revenue Passengers*” means passengers from whom a Signatory Airline receives no remuneration or only token remuneration, including employees of an airline and others, but excluding passengers traveling on frequent flyer coupons.

“*Off-Airport Aircraft Noise Costs*” means the capital and operating costs (including legal and administrative costs), net of any amounts for off-airport aircraft noise costs received from nonsignatory airlines and/or federal and state grants, connected to the acquiring of land or interests in land within the 2005 DNL 60 contours of the Airport, soundproofing of existing public and private schools and day care facilities, public hospitals, nursing homes, private single- and multi-family residences, and other categories of land use, and implementing other programs to prevent, reduce or mitigate non-compatible land uses within the 2005 DNL 60 contours of the Airport resulting from aircraft noise emissions from turbojet aircraft. Such costs shall also include but not be limited to liabilities or responsibilities imposed upon the Commission for noise in connection with the operation or use of the Airport, or from flights to or from the Airport, or from aircraft thereon, or from takings or any other causes of action related to aircraft noise or for settlement of claims based on such causes of action.

“*Operation and Maintenance Expenses*” (or a phrase of similar import) means, for any Fiscal Year, the costs incurred by the Commission to operate, maintain, and administer the Airport System, including but not limited to items (a) through (j) listed below, but excluding operation and maintenance reserves and an optional Coverage Account associated with the planned bond issues after January 1, 1999 in connection with the financing of the 2010 Plan.

(a) Personnel costs, including salaries and wages of Commission employees and temporary workers (including overtime pay), together with payments or costs incurred for associated payroll expenses such as life, health, accident, and unemployment insurance premiums; contributions to pension funds, retirement funds, union funds, and unemployment compensation funds; vacation and holiday pay; post-retirement benefits; and other fringe benefits;

(b) Costs of materials, supplies, machinery and equipment, and other similar expenses, which are not capitalized under generally accepted accounting principles as evidenced by a written opinion of the Commission’s independent auditors;

(c) Costs of maintenance, landscaping, snow removal, repairs, renewals, and alterations, which are not reimbursed by insurance and which are not capitalized under generally accepted accounting principles as evidenced by a written opinion of the Commission’s independent auditors;

(d) Costs of water, electricity, natural gas, fuel oil, telephone service, and all other utilities and services whether furnished by the Commission or furnished by independent contractors and purchased by the Commission;

(e) Cost of operating services, including services for stormwater, airport shuttle bus, service agreements, and other cost of operating services;

(f) Costs of premiums for insurance covering the Airport System and its operations maintained by the Commission pursuant to the Airline Lease Agreement;

(g) Costs incurred in collecting and attempting to collect any sums for the Commission in connection with the operation of the Airport System and the write-off of bad debts;

(h) Except to the extent capitalized the compensation paid or credited to persons or firms engaged by the Commission to render advice and perform architectural, engineering, program management, construction management, financial, legal, accounting, testing, or other professional services in connection with the operation of the Airport System;

(i) Except to the extent capitalized, the fees of trustees and paying agents, and all other fees and expenses incurred in order to comply with the provisions of a master or supplemental trust indenture; and

(j) All other expenses, which arise out of the operation of the Airport System and which are properly regarded as operating expenses under generally accepted accounting principles, provided, however, that Operation and Maintenance Expenses shall not include any allowance for depreciation, payments in lieu of taxes, the costs of improvements, extensions, enlargements or betterments, or any charges for the accumulation of reserves for capital replacements.

“*Original Cost Estimate*” means for one or more or all of the 2010 Plan Airfield Programs, as the context shall determine, that were approved by a Majority-In-Interest of the Signatory Airlines, the amount of estimated project costs as specified in the Airline Lease Agreement. The Original Cost Estimate includes contingencies, but excludes financing costs, interest on bonds or on any interim financing obtained by the Commission to finance the 2010 Plan, and other deposits and reserves.

“*Originating Passengers*” means Airline passengers for whom the Airport is the point of origin in their air travel itinerary.

“*Passenger Facility Charges*” or “*PFCs*” means those charges on a Signatory Airline’s passengers using the Airport authorized under Section 111 3(e) of the Federal Aviation Act of 1958, as amended by Section 9110 of the Omnibus Budget Reconciliation Act of 1990 (Pub. L. 101-508, 49 U.S.C. App. Section 1513), or any successor program authorized by federal law, and the rules and regulations promulgated thereunder (14 C.F.R. Part 158, hereafter the “PFC Regulations”).

“*Premises*” means the areas at the Airport leased by a Signatory Airline pursuant to the Airline Lease Agreement.

“*Rentable Space*” means the space in the Terminal Building available for lease to Airlines, concessionaires, and other rent-paying tenants and for public automobile parking. Rentable Airline space is separated into the following categories:

(a) “*Exclusive Use Space*” means space leased by an Airline for its exclusive use and occupancy.

(b) “*Preferential Use Space*” means space leased by an Airline on a preferential basis.

(c) “*Common Use Space*” means space used by an Airline in common with all other Airlines using the space.

“*Repair and Replacement Amount*” means a \$20,909,407 deposit for Fiscal Year 2016, and increased by 3% per annum for each Fiscal Year thereafter compounded annually (i.e., \$21,536,741 in Fiscal Year 2017, \$22,182,843 in Fiscal Year 2018, etc.) to the Repair and Replacement Account within the Commission Construction Fund to be expended for major maintenance and minor (less than \$2 million) capital projects, except for automobile parking facilities and roadways.

“*Selected Concessions*” means Food and Beverage Concessions, Merchandise Concessions, and on-Airport Auto Rental Concessions.

“*Selected Concessions Revenues Escalation Factor*” means the following annual percentage escalation factors (compounded) to be applied to the dollar thresholds provided in “Revenue Sharing”:

Year	Annual Escalation Factor	Year	Annual Escalation Factor
2006	Base Year	2014	4.47%
2007	1.77%	2015	4.46
2008	4.75	2016	4.46
2009	4.47	2017	4.46
2010	4.46	2018	4.47
2011	4.20	2019	4.47
2012	4.73	2020	4.47
2013	4.46		

“*Signatory Airlines*” means Airlines that have executed agreements with the Commission substantially the same as the Airline Lease Agreement.

“*Terminal Apron Repair and Replacement Amount*” means an amount equal to 3.9% of the Repair and Replacement Amount. This allocation will be adjusted on January 1, 2016 or anytime thereafter based on increases to the cost center’s book value.

“*Terminal Complex*” means the passenger terminal facilities consisting of the Terminal Building, the G Concourse, and the International Arrivals Facility.

“*Through Passengers*” means Airline passengers for whom the Airport is an intermediate stop in their itinerary between their point of origin and their point of destination, which intermediate stop does not involve a change of plane.

“*Total Landed Weight*” means the sum of the Maximum Certificated Gross Landing Weight for all aircraft arrivals over a stated period of time. Said sum shall be rounded to the nearest thousand pounds for all landing fees.

“*Trust Indenture*” means the Master Trust Indenture between the Commission and Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, National Association), as Trustee, dated as of June 1, 1998 (for purposes of the Airline Lease Agreement, without giving effect to any amendments thereto).

“*2010 Plan*” means the construction, acquisitions, and improvements to the Airport System, as described in the Airline Lease Agreement, as such may be revised from time to time.

“*2010 Plan Airfield Programs*” means the programs in the 2010 Plan that are subject to and have been approved by a Majority-In-Interest of the Signatory Airlines, as described in the Airline Lease Agreement.

Term

The Airline Lease Agreement has an original effective date of January 1, 1999. At the option of the Signatory Airline, the Airline Lease Agreement has a termination date of December 31, 2018 or December 31, 2020, except as expressly provided in the Airline Lease Agreement (hereinafter referred to as the “Term”).

Rents, Fees and Charges

The Airline Lease Agreement defines the areas to be used in accounting for revenues and expenses and for calculating certain rents, fees and charges. These areas include 13 Airport Cost Centers. Costs allocated to these Airport Cost Centers would include the following (hereinafter referred to as “Recoverable Costs”): (a) direct and indirect Operation and Maintenance Expenses, (b) Debt Service, net of amounts paid from PFCs or grants, and (c) required deposits to the debt service reserve funds, maintenance and operation reserve account and coverage account, as provided for in the Trust Indenture. Although the Airline Lease Agreements allow the Commission to include required deposits per the Trust Indenture in the calculation of rates, fees and charges, the Commission has agreed that it will not include deposits to the maintenance and operation reserve account and coverage account in the calculation of rates, fees and charges, except for such amounts which are necessary to be deposited to the coverage account in order to meet the rate covenant requirements under the Trust Indenture. The rate-setting procedures would be based on the recovery of the costs allocated to certain of the Airport Cost Centers.

Prior to the beginning of each Fiscal Year, the Commission will calculate rents, fees and charges for the upcoming Fiscal Year based on the annual operating budget, capital expenditure information, estimates of activity and other relevant information. If, during the course of any Fiscal Year, the Commission believes that significant variances exist in budgeted and estimated amounts used to calculate rents, fees and charges for the then current Fiscal Year, the Commission may adjust the rents, fees and charges to reflect current estimated amounts.

Following the end of each Fiscal Year, the Commission is required to determine the difference between the amount a Signatory Airline should have paid during such Fiscal Year based upon actual information and the amount a Signatory Airline actually paid based upon budgeted and estimated information. The difference would be invoiced and credited or paid to the Signatory Airlines, as appropriate.

Landing Fees. Each Signatory Airline will pay a monthly landing fee equal to the number of 1,000-pound units of such Signatory Airline’s Total Landed Weight during the month multiplied by the landing fee rate. The landing fee rate per 1,000 pounds of aircraft weight is calculated by dividing the net airfield cost by Total Landed Weight of the Signatory Airlines. The net airfield cost is calculated as

Recoverable Costs allocable to the Airfield cost center, plus (a) the cost of Runway 17/35 deferred and not yet charged from the date of occupancy through December 31, 2005 which will be charged starting January 1, 2006 through December 31, 2035 at \$79,535.16 annually, (b) the Landing Fee Repair and Replacement Amount, and (c) the amount of any fine, assessment, judgment, settlement or extraordinary charge (net of insurance proceeds), less certain revenues: service fees from the military; general aviation and nonsignatory landing fees; and Debt Service on the capital costs disapproved by a Majority-in-Interest of Signatory Airlines.

Air Carriers that are not Signatory Airlines are charged a landing fee rate as established pursuant to an ordinance adopted by the Commission. Pursuant to the provisions of the ordinance, for Fiscal Year 2016, the Commission charges Air Carriers that are not Signatory Airlines a landing fee rate equal to the greater of (i) 125% of the Signatory Airline landing fee rate and (ii) \$70.

Terminal Apron Fees. Each Signatory Airline will pay a monthly terminal apron fee equal to the number of lineal feet of terminal apron under lease by such Signatory Airline multiplied by the terminal apron rate. The terminal apron rate per lineal foot of terminal apron leased by a Signatory Airline (excluding the terminal apron associated with Concourses A and B) is equal to the terminal apron cost divided by the total lineal feet of terminal apron lease by a Signatory Airline (excluding the terminal apron associated with Concourses A and B). The terminal apron rate per lineal foot of the terminal apron associated with Concourses A and B leased by a Signatory Airline is equal to the terminal apron cost divided by 50% of the total lineal feet of terminal apron associated with Concourses A and B leased by a Signatory Airline. The terminal apron cost is equal to the Recoverable Costs allocable to the Terminal Apron cost center plus (a) the costs of the Concourses A and B apron area deferred and not yet charged from the date of occupancy through December 31, 2005 which will be charged starting January 1, 2006 through December 31, 2035 at \$159,950.19 annually, and (b) the Terminal Apron Repair and Replacement Amount.

Terminal Building Rents. Each Signatory Airline will pay monthly terminal building rentals (for unjanitored and janitored space) and the Lindbergh Terminal Repair and Replacement Surcharge. The terminal building rental rate per square foot for unjanitored space is calculated by dividing the net terminal building cost by total rentable space, excluding rentable space in the G Concourse. The net terminal building cost is calculated as (a) Recoverable Costs, plus (b) the costs of Concourses A, B, C and D deferred and not yet charged from date of occupancy through December 31, 2005 which will be charged starting January 1, 2006 through December 31, 2035 at \$2,910,547.40 annually, less (i) the reimbursed expense of carrousel and conveyor capital costs and operation and maintenance expenses, ground power, porter service, loading dock and consortium utilities and (ii) janitorial operation and maintenance expenses.

The terminal building rental rate per square foot for janitored space is calculated as the terminal building rental rate per square foot for unjanitored space plus an additional amount, the janitored rate, per square foot, calculated by dividing total direct janitorial operation and maintenance expenses by the total janitored space in the terminal building, excluding the Commission and mechanical space.

IAF Use Fees. Each Signatory Airline using the IAF will pay the Commission an IAF use fee and an IAF gate use fee. The IAF use fee, which is charged for use of the IAF located on the G Concourse, is calculated as the sum of certain costs associated with the IAF divided by total international arrivals at the IAF on the G Concourse. A gate use fee per aircraft operation also is charged for the use of gates, ramps and loading bridges on the IAF. The gate use fee per operation is \$400, \$800 and \$1,200 for propeller aircraft, narrowbody aircraft and widebody jet aircraft, respectively.

Carrousel and Conveyor Charge. The carrousel and conveyor charge is calculated as the sum of (a) equipment charges associated with the carrousel and conveyor, including Debt Service, (b) maintenance expense and (c) service charge. These costs are allocated among the Signatory Airlines using a common use formula, which allocates 20% of the cost equally among each airline using such space and 80% of the cost on the basis of enplaned passengers (airlines that only operate aircraft with 40 seats or less are excluded from the proration of the 20% of costs).

Other Fees and Charges. The Commission charges certain other fees and charges for the use of the Airport.

Revenue Sharing

Beginning January 1, 2016, in conjunction with the year-end adjustments of rents, fees and charges, the Commission will rebate to the Signatory Airlines a portion of the Annual Gross Revenues for Selected Concessions for the most recent Fiscal Year under the following schedule (“Revenue Sharing”) (all dollar amounts set forth below apply for 2016 only and will be escalated for each Fiscal Year after 2016 on an annual compounded basis by the Selected Concession Revenue Escalation Factor:

a. If Annual Gross Revenues for the Selected Concessions for 2016 are between \$44,042,802 and \$56,903,300 for the Fiscal Year, 25% of gross revenues;

b. If Annual Gross Revenues for the Selected Concessions are above \$56,903,300 for the Fiscal Year, 25% of gross revenues up to \$56,903,300 and 50% of gross revenues above \$56,903,300;

c. If Annual Gross Revenues for the Selected Concessions are below \$44,042,802 for the Fiscal Year;

i. \$40,667,566 to \$44,042,802 – 20%

ii. \$39,117,966 to \$40,667,566 – 15%

iii. \$37,568,365 to \$39,117,966 – 10%

iv. \$36,018,765 to \$37,568,365 – 5%

Supplemental Revenue Sharing. If Enplaned Passengers exceed the following levels during any Fiscal Year, the Signatory Airlines will be entitled to Supplemental Revenue Sharing, defined as an additional 25% of Annual Gross Revenue above the Supplemental Revenue Sharing Gross Revenue Thresholds stated below but below the 50% Annual Gross Revenue for Selected Concessions threshold stated in paragraph b. above, allocated pursuant to the procedures and subject to the limitations stated in this section:

Fiscal Year	Required Enplaned Passenger Level	Supplemental Revenue Sharing Gross Revenue Threshold
2016	17,369,100	\$33,600,000
2017	17,716,500	34,272,000
2018	18,070,800	34,957,440
2019	18,432,200	35,656,589
2020	18,800,900	36,369,721

The required enplaned passenger level figures represent a 2% increase each year starting with 2013 actuals (2014 is escalated at 2% above 2013). The supplemental revenue sharing gross total threshold figures are also escalated at annual increases of 2%. The change from 2015 to 2016 includes incorporation of the G Concourse and Southwest concessions area.

If Enplaned Passengers in any Fiscal Year do not exceed the Required Enplaned Passenger Level for such Fiscal Year set forth in the previous paragraph, but exceed the Required Enplaned Passenger Level for the previous Fiscal Year, Supplemental Revenue Sharing for the Fiscal Year will be a portion of full Supplemental Revenue Sharing, determined by dividing (i) the number of Revenue Passengers that exceed the previous Fiscal Year's Required Enplaned Passenger Level by (ii) the difference between the previous Fiscal Year's Required Enplaned Passenger Level and the current Fiscal Year's Required Enplaned Passenger Level and (iii) multiplying that fraction by 25% of the Annual Gross Revenue above the Supplemental Revenue Sharing Gross Revenue Threshold for the current Fiscal Year but below the 50% Annual Gross Revenue for Selected Concessions threshold for such Fiscal Year. (EXAMPLE: If the required Enplaned Passenger Level for a Fiscal Year is 1,000,000 passengers higher than the preceding Fiscal Year's Required Enplaned Passenger Level, but Enplaned Passengers in a Fiscal Year only exceed the prior Fiscal Year's Required Enplaned Passenger Level by 600,000 passengers, Supplemental Revenue Sharing will be $\frac{6}{10} \times 25\%$ (which is equal to 15%) of the Annual Gross Revenue above the Supplemental Revenue Sharing Gross Revenue Threshold for the current Fiscal Year but below the 50% Annual Gross Revenue for Selected Concessions threshold stated in paragraph b. above.)

The total rebate amount will be allocated among Signatory Airlines according to their pro rata share of Enplaned Passengers for the Fiscal Year and will be structured as a post-year-end check to each Signatory Airline issued by the Commission no later than 240 days following each Fiscal Year, subject to correction following any applicable audit. However, the Commission has the right to offset the total rebate payable to a Signatory Airlines by any amount such Signatory Airline owes to the Commission that is past due including amounts due under the Airline Lease Agreement or any other agreement between the Commission and such Signatory Airline.

Notwithstanding the foregoing, the Commission will have the right to reduce the amount of Revenue Sharing with respect to any Fiscal Year to the extent necessary so that the Net Revenues taking into account the Revenue Sharing for such Fiscal Year will not be less than 1.25x of the total Debt Service for such Fiscal Year. In the event that the Revenue Sharing is reduced in any Fiscal Year by any amount (the "Deferred Revenue Sharing Amount") as a result of the operation of this paragraph, the Commission will accrue the Deferred Revenue Sharing Amount and credit such amount to the Signatory Airlines in the subsequent Fiscal Year (or, if such amount may not be credited in accordance with the Airline Lease Agreement in such subsequent Fiscal Year, then such amount will be credited in the next succeeding Fiscal Year in which such credit may be issued in accordance with the Airline Lease Agreements; and

The rights of any Signatory Airline to any payment, credit or application of Revenue Sharing to or for the benefit of such Signatory Airline is a contract right, in existence and effective as of January 1, 2006 (subject to the provisions of the Airline Lease Agreements), and any such payment, credit or application actually made is proceeds thereof.

See “AGREEMENTS WITH AIRLINES AND OTHER CONCESSIONAIRES—Airline Lease Agreements” in the forepart of this Official Statement for additional information on the Revenue Sharing.

Reversion to Pre-Third Amendment to Airline Lease Agreement Rate Structure

In the event a Signatory Airline is not in compliance with any payment obligation under any agreement with the Commission, during the period following any applicable notice and cure period, the Commission will have the right to have such Signatory Airline’s payment obligations under the Airline Lease Agreement during the payment default period revert to the rates and charges structure in effect prior to the effective date of the Third Amendment to the Airline Lease Agreement (which included direct and indirect depreciation and imputed interest on net Capital Costs in Recoverable Costs instead of Debt Service) and apply any accrued but unpaid Revenue Sharing credits otherwise due to the Signatory Airline for the payment default period against any amounts owed by the Signatory Airline to the Commission.

Capital Expenditures

General. Subject to the provisions of the subsections entitled “Capital Projects Subject to MII Review” and “2010 Plan Airfield Programs” below, the Commission may incur costs to plan, design, and construct Capital Projects to preserve, protect, enhance, expand, or otherwise improve the Airport System, or parts thereof, at such time or times as it deems appropriate, and may recover through airline rents, fees, and charges the costs of such Capital Projects.

Subject to the provisions of this Section, the Commission may pay the Capital Cost associated with any Capital Project using funds lawfully available for such purposes as it deems appropriate, and may issue Airport Bonds in amounts sufficient to finance any Capital Project.

The Commission will use its best efforts to obtain and maximize: (a) federal and state grants, including MNDOT and AIP grants; (b) \$186,000,000 in federal letter of intent (“LOI”) and side agreements; and (c) \$50,000,000 in additional entitlement/discretionary money for a total of \$236,000,000.

The Airline Lease Agreement will not be interpreted: (a) to impair the authority of the Commission to impose a Passenger Facility Fee or to use the Passenger Facility revenue as required by the PFC Act or PFC Regulations; (b) to restrict the Commission from financing, developing or assigning new capacity at the Airport with Passenger Facility revenue if and to the extent such restriction would violate the PFC Act or PFC Regulations; (c) to preclude the Commission from funding, developing, or assigning new capacity at the Airport with PFC revenue in any manner required by the PFC Act or the PFC Regulations; or (d) to prevent the Commission from exercising any other right it is required to retain by the PFC Act or PFC Regulations if and to the extent it is so required to be retained by the PFC Act or PFC Regulations. Subject to these provisions, however, the Commission and a Signatory Airline have agreed as follows:

- (a) A Signatory Airline and the Commission have agreed that the Commission may impose a PFC throughout the Term of the Airline Lease Agreement.

(b) The Commission will use all PFC revenue, including PFCs attributable to increases in the PFC collection rate, collected during the Term of the Airline Lease Agreement to pay the Capital Costs of the 2010 Plan, as the same may be amended pursuant to the terms of the Airline Lease Agreement, and any associated debt service, except that to the extent that PFC's are not legally authorized to be used for such purpose under applicable law, they may be expended for the purposes for which they are legally authorized.

(c) Actual PFC revenue from the lesser of 90% of Originating Passengers or 45% of Enplaned Passengers for the period from 2011 to 2030 will be applied to fund Capital Costs associated with the 2010 Plan before being applied in any other manner. A portion (as defined below) of the PFC's expected to be collected for the period from 2011 to 2030 will be used to structure a bond issue to fund Capital Costs associated with the 2010 Plan. Such Capital Costs will not be charged to airline cost centers, however debt service not actually paid with PFC's may be recovered from the Airlines through a special charge to the appropriate airline cost center. This "portion" shall be determined by the Commission, after consultation with its financial advisors in conjunction with the issuance of debt associated with the 2010 Plan, based upon its projections of the amount of PFC revenue which will be generated from the lesser of 90% of the projected Originating Passengers or 45% of the projected Enplaned Passengers for the period from 2011 to 2030, based upon the Commission's forecasts of passenger growth and an assumed \$5.00 per passenger PFC collection rate.

(d) Notwithstanding the above, commencing in Fiscal Year 2015, the Commission will use its best efforts to secure additional leveraging of PFC revenues for capital projects associated with the Senior Series 2010A Bonds and the Senior Series 2010B Bonds (collectively, the "Senior Series 2010 Bonds"), such that to the greatest extent possible, up to 50% of PFC revenues generated at the Airport will be applied to debt service. The period during which such increased percentage of PFC revenues will be used for debt service on the Senior Series 2010 Bonds will begin in Fiscal Year 2015 and end upon the later of the defeasement of the Senior Series 2010 Bonds or the defeasement of any bonds issued to refund or refinance the Senior Series 2010 Bonds.

The Commission has agreed to structure debt so that the Commission's construction fund balance will not exceed \$125,000,000 on December 31, 2010. Any excess beyond this amount will be applied to reduce debt.

Capital Projects Subject to MII Review. The Commission may not recover through airline rents, fees, or charges the Capital Costs, including the Off-Airport Aircraft Noise Costs, of any Capital Project in the Airfield Cost Center whose gross project costs exceed \$1,000,000 without the prior approval of a Majority-In-Interest of Signatory Airlines.

Notwithstanding the foregoing and subject to the limitations described below, the 2010 Plan Airfield Programs shall be deemed to be Approved by a Majority-in-Interest of Signatory Airlines.

Capital Projects Not Subject to MII Review. Without the prior approval of a Majority-In-Interest of Signatory Airlines, the Commission may incur costs to plan, design, and construct at such time or times as it deems appropriate, and may recover through airline rents, fees, and charges the costs of the following Capital Projects:

(a) Any Capital Project that is not in the Airfield Cost Center except as set forth in the subsection entitled "2010 Plan Airfield Programs" below. The Commission plans to undertake a program of improvements to the Airport System known as the 2010 Plan. The 2010

Plan, which is described in the Airline Lease Agreement, includes Capital Projects that are not in the Airfield Cost Center as well as the 2010 Plan Airfield Programs.

(b) Any Capital Project in the Airfield Cost Center that is necessary to comply with a rule, regulation, or order of any governmental agency, other than an ordinance of the Commission, that has jurisdiction over the operation of the Airport.

(c) Any Capital Project in the Airfield Cost Center that is necessary to satisfy a final judgment against the Commission rendered by a court of competent jurisdiction.

(d) Any Capital Project in the Airfield Cost Center that is necessary to repair casualty damage, the cost of which exceeds the proceeds of applicable insurance; provided that the Commission may recover the Capital Cost of such repair only to the extent that the cost of reconstruction or replacement exceeds the insurance proceeds available for such purposes.

2010 Plan Airfield Programs. Subject to the limitations described below, the Commission has the right to incur costs to plan, design, and construct at such time or times as it deems appropriate and to recover through airline rents, fees, and charges the costs of the 2010 Plan Airfield Programs.

The Commission may add, delete, or otherwise modify components of the 2010 Plan Airfield Programs; provided, however, that no such modifications may materially change the scope of any of the 2010 Plan Airfield Programs without the prior approval of a Majority-In-Interest of Signatory Airlines.

The Airline Lease Agreements present an Original Cost Estimate of each 2010 Plan Airfield Program, which the Commission may revise from time to time to reflect material scope changes approved by the Commission and by a Majority-In-Interest of the Signatory Airlines; annually to adjust for inflation; and to reflect increases in the cost of the Noise Mitigation Program caused by increases in the size of the approved 65 DNL noise contour, as documented in the FAR Part 150 Program.

In the event the Current Cost Estimate of any of the 2010 Plan Airfield Programs exceeds the Original Cost Estimate, as revised, for such Program, then the Commission at its sole discretion shall do one or more of the following: (a) after consultation with Airlines, modify or defer until after 2010 a sufficient number of projects contained in such Program so that the Current Cost Estimate does not exceed the Original Cost Estimate, as revised; or (b) fund the amount of the excess and exclude depreciation and interest on such amount from the calculation of rents, fees, and charges; or (c) obtain approval for additional costs from a Majority-In-Interest of Signatory Airlines, which approval is required only on the portion of the Current Cost Estimate that exceeds the Original Cost Estimate, as revised.

Majority-In-Interest Waiver. Beginning in January 1, 2010, the Signatory Airlines have agreed that the Commission can include in its capital improvement program up to \$50 million per year (in 2001 dollars) for miscellaneous Capital Projects (“Contingency Project”) as determined by the Commission. Notwithstanding any other provision of the Airline Lease Agreements, these Contingency Projects may include at the Commission’s discretion projects to be included in the Airfield Cost Center, and the Airline Lease Agreements will be deemed the Signatory Airlines’ approval (if required) of any such Capital Project without any requirement for Majority-In-Interest review.

Indemnity and Liability Insurance

The Airline Lease Agreements require each Signatory Airline to indemnify, defend, save and hold harmless the Commission and its Commissioners, officers, and employees (collectively, “Indemnitees”) from and against any and all liabilities, losses, damages, suits, actions, claims, judgments,

settlements, fines or demands of any person other than an Indemnitee arising by reason of injury or death of any person, or damage to any property, including all reasonable costs for investigation and defense thereof (including but not limited to attorneys' fees, court costs, and expert fees), of any nature whatsoever arising out of or incident to (a) the use or occupancy of, or operations of a Signatory Airline at or about the Airport, or (b) the acts or omissions of a Signatory Airline's officers, agents, employees, contractors, subcontractors, licensees, or invitees, regardless of where the injury, death or damage may occur, unless such injury, death or damage is caused by (i) the negligent act or omission of an Indemnitee whether separate or concurrent with negligence of others, including a Signatory Airline or (ii) the breach by an Indemnitee of the Airline Lease Agreement. The Airline Lease Agreements further provide for indemnification by each Signatory Airline for certain environmental liabilities.

The Airline Lease Agreements require each Signatory Airline to provide, without cost or expense to the Commission, and maintain in force throughout the full Term the following insurance coverages as appropriate, insuring a Signatory Airline and the Commission against the liabilities set forth in:

(a) Aircraft liability insurance and comprehensive general public liability insurance for claims of property damage, bodily injury, or death allegedly resulting from a Signatory Airline's activities into, on, and leaving any part of the Airport, in an amount not less than \$300,000,000 per occurrence for Airlines operating aircraft over 100 seats, and not less than \$200,000,000 for Airlines operating aircraft with 99 or fewer seats, and not less than \$100,000,000 for Airlines operating aircraft with 59 or fewer seats. For purposes of this Section, the number of seats is determined based upon the largest aircraft in a Signatory Airline's fleet.

(b) Liquor liability insurance for any facility of a Signatory Airline serving alcoholic beverages on the Airport in an amount not less than \$10,000,000.

(c) Hangarkeepers liability insurance in an amount adequate to cover any non-owned property in the care, custody and control of a Signatory Airline on the Airport, but in any event in an amount not less than \$5,000,000.

(d) Automobile liability insurance in an amount adequate to cover vehicles operating on the Airport in an amount not less than \$5,000,000 combined single limit.

The Commission may allow the insurance coverage required in the Airline Lease Agreement to be provided through a self-insurance plan established by a Signatory Airline. The self-insurance plan may consist of a combination of primary, excess umbrella insurance and self-insurance protection and must be no less than the limits stated above.

The Commission, in operating the Airport, will carry and maintain comprehensive general liability insurance in such amounts as would normally be maintained by public bodies engaged in carrying on similar activities.

Events of Default; Remedies

Events of Default. The occurrence and continuation of any one or more of the following shall constitute an event of default under the Airline Lease Agreements:

(a) a Signatory Airline fails to make payment in full when due of any rents, fees, charges or any other amount payable under the Airline Lease Agreement within five business days after notice thereof from the Commission;

(b) a Signatory Airline shall fail to make any PFC remittance to the Commission in a timely fashion, or shall fail to timely comply with its PFC reporting requirements to the Commission, or any other entity, in connection with PFCs collected on behalf of the Commission;

(c) a Signatory Airline fails to submit a Monthly Activity Report to the Commission on or before the tenth day of each month;

(d) a Signatory Airline shall make or permit any unauthorized assignment or transfer of the Airline Lease Agreement, or any interest therein, or of the right to use or possession of the Premises, or any part thereof;

(e) any insurance required by the terms of the Airline Lease Agreement shall at any time not be in full force or effect;

(f) failure of a Signatory Airline to perform, comply with, or observe, in any material respect, any other term, condition or covenant of the Airline Lease Agreement not identified elsewhere in subsections (a) through (k) of this section within 30 days after receipt of notice from the Commission of such failure, or for such longer period of time as may be reasonably necessary to cure the event of default, but only for such longer period if: (i) a Signatory Airline is reasonably capable of curing the event of default and (ii) a Signatory Airline promptly and continuously undertakes to cure and diligently pursues the curing of the event of default at all times until such event of default is cured;

(g) any representation or warranty of a material fact made by a Signatory Airline in the Airline Lease Agreement or in any certificate or statement furnished to the Commission pursuant to or in connection with the Airline Lease Agreement proves untrue in any material respect as of the date of issuance or making thereof;

(h) (i) a Signatory Airline shall commence any case, proceeding or other action (A) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking to have an order for relief entered with respect to a Signatory Airline, or seeking to adjudicate a Signatory Airline a bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, liquidation, dissolution, composition or other relief with respect to a Signatory Airline or any of its debts, or (B) seeking appointment of a receiver, trustee, custodian or other similar official for a Signatory Airline or for all or any substantial part of any of its property; or (ii) a Signatory Airline shall make a general assignment for the benefit of its creditors; or (iii) there shall be commenced against a Signatory Airline any case, proceeding or other action of nature referred to in clause (i) above or seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of any of its property, which case, proceeding or other action results in the entry of an order for relief or remains undismissed, unvacated, undischarged and unbonded for a period of 60 days; or (iv) a Signatory Airline shall take any action consenting to or approving of any of the acts set forth in clause (i) or (ii) above; or (v) a Signatory Airline shall generally not, or shall be unable to, pay its debts as they become due or shall admit in writing its inability generally to pay its debts as they become due;

(i) any money judgment, writ or warrant of attachment or similar process, or any combination thereof, involving an amount in excess of \$25,000,000 shall be entered or filed against a Signatory Airline or any of its assets and shall remain undischarged, unvacated,

unbonded and unstayed for a period of 60 days or in any event later than five days prior to the date of any proposed sale or execution thereunder;

(j) any act occurs that deprives a Signatory Airline permanently of any material right, power or privilege necessary for the conduct and operation of its Air Transportation Business; or

(k) if a Signatory Airline ceases to provide scheduled air service at the Airport for a period of 30 consecutive days or abandons or fails to use its Exclusive Use Space for a period of 30 consecutive days, except when such cessation or abandonment is due to the default of the Commission or the circumstances described in the Airline Lease Agreement relating to an event of force majeure.

Remedies. If an event of default occurs under the Airline Lease Agreement, the Commission, at its option, may at any time thereafter, do one or more of the following as the Commission in its sole discretion shall elect, to the extent permitted by, and subject to compliance with any mandatory requirements of, applicable law then in effect:

(a) Declare all rents, fees and other charges payable under the Airline Lease Agreement, whether currently or thereafter accruing, to be immediately due and payable;

(b) Proceed by appropriate court action or actions, either at law or in equity, to enforce performance by a Signatory Airline of the applicable covenants and terms of the Airline Lease Agreement or to recover damages for the breach thereof;

(c) Enter and take possession of the Premises and/or the rights of a Signatory Airline under the Airline Lease Agreement without such re-entry terminating a Signatory Airline's obligations for the full Term thereof, which remedy shall be in addition to all other remedies at law or in equity, including action for forcible entry and lawful detainer, for ejectment or for injunction;

(d) Terminate all rights of a Signatory Airline under the Airline Lease Agreement (without terminating the continuing obligation of a Signatory Airline to fulfill its past and future obligation under the Airline Lease Agreement) and in such case a Signatory Airline further agrees to indemnify and hold harmless the Commission against all loss in rents, fees, and charges and other damages which the Commission shall incur by reason of such termination, including, without limitation, costs of restoring and repairing the Premises and putting the same in rentable condition, costs of reletting the Premises to another Airline (including without limitation a Signatory Airline improvement costs and related fees), loss or diminution of rents and other damage which the Commission incurs by reason of such termination, and all reasonable attorneys' fees and expenses incurred in enforcing the terms of the Airline Lease Agreement;

(e) In the event of any default under the Airline Lease Agreement, a Signatory Airline shall reimburse the Commission for all reasonable fees and costs incurred by the Commission, including reasonable attorneys' fees, relating to such default and/or the enforcement of the Commission's rights under the Airline Lease Agreement; and

(f) Apply all Contract Security granted by a Signatory Airline to any unpaid obligations of a Signatory Airline under the Airline Lease Agreement.

Termination

Termination by the Commission. An Airline Lease Agreement may be terminated by the Commission pursuant to the provisions regarding default above and as otherwise specified in the Airline Lease Agreement.

Termination by a Signatory Airline. A Signatory Airline is allowed to terminate its obligations under the Airline Lease Agreement if any of the following events occur:

(a) If the Commission shall fail to perform, comply with, or observe, in any material respect, any term, condition or covenant of the Airline Lease Agreement within 30 days after receipt of notice from a Signatory Airline of such failure, or for such longer period of time as may be reasonably necessary to cure the event of default but only for such longer period if: (i) the Commission is reasonably capable of curing the event of default and (ii) the Commission promptly and continuously undertakes to cure and diligently pursues the curing of the event of default at all times until such event of default is cured, then a Signatory Airline, if not then in default, may, without limiting any of its other rights and remedies against the Commission, at its option cancel the Airline Lease Agreement and thereby terminate the Airline Lease Agreement.

(b) It is further understood and agreed that, at any time when a Signatory Airline is not then in default, it may cancel the Airline Lease Agreement on 60 days' notice in writing to the Commission upon the happening of any one of the following events:

(i) Issuance by any court of competent jurisdiction of an injunction in any way preventing or restraining the use of the Airport or any part thereof essential for a Signatory Airline's operations under the Airline Lease Agreement and the remaining in force of such injunction for a period of at least 90 days.

(ii) Inability of a Signatory Airline to use the Airport or any part thereof essential for a Signatory Airline's operations under the Airline Lease Agreement for a period of not less than 90 days because of fire, explosion, earthquake, or other casualty or acts of God or the public enemy, unless within 60 days of the casualty, the Commission gave a Signatory Airline written notice of its intention to repair or reconstruct, as provided in the Airline Lease Agreement.

(iii) The lawful assumption by the United States of America or any authorized agency thereof of the operation, control, or use of the Airport and the facilities thereon or any substantial part or parts thereof, in such manner as substantially to restrict a Signatory Airline for a period of not less than 90 days from operating thereon for the carrying of passengers, cargo, express, property, and United States mail.

(iv) Termination or the suspension or substantial modification for a period of not less than 90 days of the operating authority of a Signatory Airline to serve the Minneapolis-St. Paul metropolitan area through the Airport by final order of the DOT or other governmental agency, federal or state, having jurisdiction over a Signatory Airline.

(c) If any of the foregoing continues for a period of less than 90 days, a Signatory Airline shall have the right upon written notice to the Commission to abatement of rents, fees and charges to the extent and for the period that a Signatory Airline is unable to carry on its operations under the Airline Lease Agreement.

Termination by Government Taking. In the event the Premises shall be taken by governmental authority through exercise of its power of eminent domain or other authority justifying such taking, the Airline Lease Agreement shall terminate and the rents, fees and charges in respect to said premises shall cease as of the date possession is taken by the taking authority, and the Commission shall be entitled to all damages payable by reason of taking, subject to the claim of a Signatory Airline for the value of its leasehold, which claim or claims as to validity and amount shall be a matter for determination between a Signatory Airline and the Commission, and if a Signatory Airline and the Commission cannot reach a determination, then by the court having jurisdiction of such proceeding, provided that nothing contained in the Airline Lease Agreement shall preclude a Signatory Airline from asserting any claims or rights it may have against such governmental authority as to its separate property, leasehold improvements, and trade fixtures.

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APPENDIX E

PROPOSED FORMS OF BOND COUNSEL'S OPINIONS

[Closing Date]

Metropolitan Airports Commission
Minneapolis, Minnesota

\$207,250,000
Minneapolis–St. Paul Metropolitan Airports Commission
Senior Airport Revenue Bonds
Series 2016C
(Non-AMT)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Metropolitan Airports Commission (the “Commission”) in connection with the issuance by the Commission of its \$207,250,000 Minneapolis-St. Paul Metropolitan Airports Commission Senior Airport Revenue Bonds, Series 2016C (the “Senior Series 2016C Bonds”). The Senior Series 2016C Bonds are being issued pursuant to Section 473.601 et seq. of the Minnesota Statutes (the “Act”), the Master Trust Indenture, dated as of June 1, 1998, as amended (the “Master Senior Indenture”), by and between the Commission and Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, National Association), as trustee (the “Senior Trustee”), and a Tenth Supplemental Trust Indenture, dated as of December 1, 2016 (the “Tenth Supplemental Senior Indenture,” and together with the Master Senior Indenture, the “Senior Indenture”), by and between the Commission and the Senior Trustee. Issuance of the Senior Series 2016C Bonds has been authorized by Resolution No. 2260, adopted by the Commission on November 21, 2016 (the “Resolution”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Senior Indenture.

In connection with the issuance of the Senior Series 2016C Bonds, we have examined: (a) a copy of the Act; (b) a certified copy of the Resolution; (c) executed copies of the Master Senior Indenture and the Tenth Supplemental Senior Indenture; (d) certifications of the Commission, the Senior Trustee, RBC Capital Markets, LLC, as representative of the underwriters of the Senior Series 2016C Bonds (the “Underwriters”), and others; (e) an executed copy of the Tax Compliance Certificate, dated the date hereof, relating to the Senior Series 2016C Bonds and other matters (the “Tax Certificate”); (f) opinions of the Commission’s General Counsel, counsel to the Senior Trustee and counsel to the Underwriters; and (g) such other documents as we deemed relevant and necessary in rendering the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties, other than the Commission, thereto. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in this paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or

whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the Commission, the security provided therefor, as contained in the Senior Series 2016C Bonds and the Senior Indenture, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the limitations on legal remedies against public corporations in the State of Minnesota. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Senior Series 2016C Bonds or the Senior Indenture. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated December 6, 2016, or any other offering material relating to the Senior Series 2016C Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Senior Series 2016C Bonds constitute the valid and binding limited obligations of the Commission secured by a pledge of and lien upon and are a charge upon and are payable from the Net Revenues, certain funds and accounts held by the Senior Trustee under the Senior Indenture, and other amounts payable under the Senior Indenture.

2. The Master Senior Indenture and the Tenth Supplemental Senior Indenture have been duly authorized, executed and delivered by the Commission and, assuming the due authorization, execution and delivery by the Senior Trustee, constitute the valid and binding obligations of the Commission, enforceable against the Commission in accordance with their terms. The Senior Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Senior Series 2016C Bonds, of the Net Revenues, certain funds and accounts held by the Senior Indenture under the Senior Indenture, and other amounts payable under the Senior Indenture, subject to the provisions of the Senior Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The Senior Series 2016C Bonds are not general obligations of the Commission. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of St. Paul, the State of Minnesota or any political subdivision or public agency of the State of Minnesota is pledged to the payment of the principal of and interest on the Senior Series 2016C Bonds. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Senior Series 2016C Bonds.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Senior Series 2016C Bonds is excluded from gross income for federal income tax purposes. Interest on the Senior Series 2016C Bonds is not a specific item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, however, such interest is included in adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of federal alternative minimum taxable income 75% of the excess of such corporations' adjusted current earnings over their federal alternative minimum taxable income (determined without regard to such adjustment and prior to reduction for certain net operating losses).

5. Interest on the Senior Series 2016C Bonds is not includible in the taxable net income of individuals, estates and trusts for State of Minnesota income tax purposes, but is includible in the calculation of taxable income of corporations and financial institutions for State of Minnesota franchise tax purposes. Additionally, interest on the Senior Series 2016C Bonds is not a specific tax preference

item for purposes of the State of Minnesota alternative minimum tax applicable to individuals, estates and trusts.

The opinions set forth in numbered paragraph 4 above regarding the exclusion of interest from gross income of the recipient is subject to continuing compliance by the Commission with covenants regarding federal tax law contained in the Senior Indenture and the Tax Certificate. Failure to comply with such covenants could cause interest on the Senior Series 2016C Bonds to be included in gross income retroactive to the date of issue of the Senior Series 2016C Bonds. Although we are of the opinion that interest on the Senior Series 2016C Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Senior Series 2016C Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Our engagement with respect to the Senior Series 2016C Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

[Closing Date]

Metropolitan Airports Commission
Minneapolis, Minnesota

\$23,410,000
Minneapolis–St. Paul
Metropolitan Airports Commission
Subordinate Airport Revenue Bonds
Series 2016D
(AMT)

\$171,690,000
Minneapolis–St. Paul
Metropolitan Airports Commission
Subordinate Airport Revenue Bonds
Series 2016E
(Taxable)

Ladies and Gentlemen:

We have acted as Bond Counsel to the Metropolitan Airports Commission (the “Commission”) in connection with the issuance by the Commission of its \$23,410,000 Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2016D (the “Subordinate Series 2016D Bonds”), and \$171,960,000 Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2016E (the “Subordinate Series 2016E Bonds,” and together with the Subordinate Series 2016D Bonds, the “Subordinate Series 2016D/E Bonds”) . The Subordinate Series 2016D/E Bonds are being issued pursuant to Section 473.601 et seq. of the Minnesota Statutes (the “Act”), the Master Subordinate Trust Indenture, dated as of October 1, 2000, as amended (the “Master Subordinate Indenture”), by and between the Commission and Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association), as trustee (the “Subordinate Trustee”), and a Sixteenth Supplemental Subordinate Trust Indenture, dated as of December 1, 2016 (the “Sixteenth Supplemental Subordinate Indenture,” and together with the Master Subordinate Indenture, the “Subordinate Indenture”), by and between the Commission and the Subordinate Trustee. Issuance of the Subordinate Series 2016D/E Bonds has been authorized by Resolution No. 2260, adopted by the Commission on November 21, 2016 (the “Resolution”). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Subordinate Indenture.

In connection with the issuance of the Subordinate Series 2016D/E Bonds, we have examined: (a) a copy of the Act; (b) a certified copy of the Resolution; (c) executed copies of the Master Subordinate Indenture and the Sixteenth Supplemental Subordinate Indenture; (d) an executed copy of the Master Trust Indenture, dated as of June 1, 1998, as amended, by and between the Commission and Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, National Association), as trustee; (e) certifications of the Commission, the Subordinate Trustee, RBC Capital Markets, LLC, as representative of the underwriters of the Subordinate Series 2016D Bonds (the “Subordinate Series 2016D Underwriters”), Wells Fargo Bank, National Association, as representative of the underwriters of the Subordinate Series 2016E Bonds (the “Subordinate Series 2016E Underwriters,” and together with the Subordinate Series 2016D Underwriters, the “Underwriters”), and others; (f) an executed copy of the Tax Compliance Certificate, dated the date hereof, relating to the Subordinate Series 2016D Bonds and other matters (the “Tax Certificate”); (g) opinions of the Commission’s General Counsel, counsel to the Subordinate Trustee and counsel to the Underwriters; and (h) such other documents as we deemed relevant and necessary in rendering the opinions set forth herein. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and the validity against, any parties, other than the Commission, thereto. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in this paragraph.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or whether any other matters come to our attention after the date hereof. We call attention to the fact that the obligations of the Commission, the security provided therefor, as contained in the Subordinate Series 2016D/E Bonds and the Subordinate Indenture, may be subject to general principles of equity which permit the exercise of judicial discretion, and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect, and to the limitations on legal remedies against public corporations in the State of Minnesota. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, waiver or severability provisions contained in the Subordinate Series 2016D/E Bonds or the Subordinate Indenture. We have not undertaken any responsibility for the accuracy, completeness or fairness of the Official Statement dated December 6, 2016, or any other offering material relating to the Subordinate Series 2016D/E Bonds and express no opinion relating thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Subordinate Series 2016D/E Bonds constitute the valid and binding limited obligations of the Commission secured by a pledge of and lien upon and are a charge upon and are payable from the Net Pledged Revenues, certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture, and other amounts payable under the Subordinate Indenture.

2. The Master Subordinate Indenture and the Sixteenth Supplemental Subordinate Indenture have been duly authorized, executed and delivered by the Commission and, assuming the due authorization, execution and delivery by the Subordinate Trustee, constitute the valid and binding obligations of the Commission, enforceable against the Commission in accordance with their terms. The Subordinate Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Subordinate Series 2016D/E Bonds, of the Net Pledged Revenues, certain funds and accounts held by the Subordinate Trustee under the Subordinate Indenture, and other amounts payable under the Subordinate Indenture, subject to the provisions of the Subordinate Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein.

3. The Subordinate Series 2016D/E Bonds are not general obligations of the Commission. Neither the full faith and credit nor the taxing power of the Commission, the City of Minneapolis, the City of St. Paul, the State of Minnesota or any political subdivision or public agency of the State of Minnesota is pledged to the payment of the principal of and interest on the Subordinate Series 2016D/E Bonds. None of the properties of the Airport System are subject to any mortgage or other lien for the benefit of the owners of the Subordinate Series 2016D/E Bonds.

4. Under existing laws, regulations, rulings and judicial decisions, interest on the Subordinate Series 2016D Bonds is excluded from gross income for federal income tax purposes, except that such exclusion does not apply with respect to interest on any Subordinate Series 2016D Bond for any period during which such Subordinate Series 2016D Bond is held by a person who is a "substantial user" of the facilities financed or refinanced by the Subordinate Series 2016D Bonds or a "related person" to such substantial user within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Subordinate Series 2016D Bonds constitutes an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations by the Code.

5. Interest on the Subordinate Series 2016D Bonds is not includible in the taxable net income of individuals, estates and trusts for State of Minnesota income tax purposes, but is includible in the calculation of taxable income of corporations and financial institutions for State of Minnesota franchise tax purposes. Additionally, interest on the Subordinate Series 2016D Bonds is a specific tax preference item for purposes of the State of Minnesota alternative minimum tax applicable to individuals, estates and trusts.

The opinions set forth in numbered paragraph 4 above regarding the exclusion of interest from gross income of the recipient is subject to continuing compliance by the Commission with covenants regarding federal tax law contained in the Subordinate Indenture and the Tax Certificate. Failure to comply with such covenants could cause interest on the Subordinate Series 2016D Bonds to be included in gross income retroactive to the date of issue of the Subordinate Series 2016D Bonds. Although we are of the opinion that interest on the Subordinate Series 2016D Bonds is excluded from gross income for federal tax purposes, the accrual or receipt of interest on the Subordinate Series 2016D Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

Interest on the Subordinate Series 2016E Bonds is included in gross income for federal income tax purposes and is includible in taxable net income of individuals, estates and trusts for State of Minnesota income tax purposes, and in taxable income of corporations and financial institutions for State of Minnesota franchise tax purposes. We express no opinion regarding the tax consequences relating to the ownership of, receipt of interest on or disposition of the Subordinate Series 2016E Bonds. Taxpayers should seek advice based on their particular circumstances from an independent tax advisor.

Our engagement with respect to the Subordinate Series 2016D/E Bonds has concluded with their issuance, and we disclaim any obligation to update, revise or supplement this opinion letter.

Very truly yours,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (this “Certificate”) is executed and delivered by the Metropolitan Airports Commission (the “Commission”) in connection with the issuance of its (a) Minneapolis-St. Paul Metropolitan Airports Commission Senior Airport Revenue Bonds, Series 2016C (the “Senior Series 2016C Bonds”), (b) Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2016D (the “Subordinate Series 2016D Bonds”), and (c) Minneapolis-St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2016E (the “Subordinate Series 2016E Bonds,” and collectively with the Senior Series 2016C Bonds and the Subordinate Series 2016D Bonds, the “Series 2016C/D/E Bonds”).

The Senior Series 2016C Bonds were issued pursuant to the Master Trust Indenture, dated as of June 1, 1998, as amended (the “Master Senior Indenture”), by and between the Commission and Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association, formerly known as Norwest Bank Minnesota, National Association), as trustee (the “Senior Trustee”), and the Tenth Supplemental Trust Indenture, dated as of December 1, 2016 (the “Tenth Supplemental Senior Indenture,” and together with the Master Senior Indenture, and all supplements thereto, the “Senior Indenture”), by and between the Commission and the Senior Trustee.

The Subordinate Series 2016D/E Bonds were issued pursuant to the Master Subordinate Trust Indenture, dated as of October 1, 2000, as amended (the “Master Subordinate Indenture”), by and between the Commission and Wells Fargo Bank, National Association (successor by merger to Wells Fargo Bank Minnesota, National Association), as trustee (the “Subordinate Trustee”), and the Sixteenth Supplemental Subordinate Trust Indenture, dated as of December 1, 2016 (the “Sixteenth Supplemental Subordinate Indenture,” and together with the Master Subordinate Indenture, the “Subordinate Indenture”), by and between the Commission and the Subordinate Trustee.

Additionally, the Series 2016C/D/E Bonds have been authorized by Resolution No. 2260 adopted by the Commission on November 21, 2016. The Series 2016C/D/E Bonds were issued under and in accordance with Minnesota Statutes, Sections 473.601, et seq. (the “Act”).

In consideration of the purchase of the Series 2016C/D/E Bonds by the Participating Underwriter (as defined below), the Commission covenants and agrees as follows:

Section 1. Purpose of the Certificate. This Certificate is being executed and delivered by the Commission for the benefit of the Holders and Beneficial Owners of the Series 2016C/D/E Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “*Rule*”).

Section 2. Definitions. In addition to the definitions set forth in the Senior Indenture and the Subordinate Indenture, which apply to any capitalized term used in this Certificate unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the Commission pursuant to, and as described in, Sections 3 and 4 hereof.

“*Beneficial Owner*” means any person which (a) has or shares the power, directly or indirectly, to vote or consent with respect to, to make investment decisions concerning the ownership of, or to dispose

of ownership of, any Series 2016C/D/E Bonds (including persons holding Series 2016C/D/E Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2016C/D/E Bonds for federal income tax purposes.

“*Dissemination Agent*” means the Commission, or any successor Dissemination Agent designated in writing by the Commission and which has filed with the Commission a written acceptance of such designation.

“*EMMA System*” means the MSRB’s Electronic Municipal Market Access system, or such other electronic system designated by the MSRB.

“*Holder*” means either the registered owners of the Series 2016C/D/E Bonds, or if the Series 2016C/D/E Bonds are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

“*Listed Events*” means any of the events listed in Section 5(a) or 5(b) hereof.

“*MSRB*” means the Municipal Securities Rulemaking Board, or any successor thereto.

“*Obligated Person*” means the Commission and each airline or other entity using the Airport System under a lease or use agreement extending for more than one year from the date in question and including bond debt service as part of the calculation of rates and charges, under which lease or use agreement such airline or other entity has paid amounts equal to at least 20% of the Revenues of the Airport System for the prior two Fiscal Years of the Commission.

“*Official Statement*” means the Official Statement, dated December 6, 2016, prepared and distributed in connection with the initial sale of the Series 2016C/D/E Bonds.

“*Participating Underwriter*” means any of the original underwriters of the Series 2016C/D/E Bonds required to comply with the Rule in connection with the offering of the Series 2016C/D/E Bonds.

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

“*State*” means the State of Minnesota.

Section 3. Provision of Annual Reports.

(a) The Commission shall provide, or shall cause the Dissemination Agent to provide, to the MSRB through the EMMA System (in an electronic format and accompanied by identifying information all as prescribed by the MSRB) an Annual Report which is consistent with the requirements of Section 4 hereof by not later than 210 days after the end of the Commission’s fiscal year in each fiscal year. The Commission’s first Annual Report shall be due July 28, 2017 (for the fiscal year ending December 31, 2016). Not later than 15 Business Days prior to said date, the Commission shall provide the Annual Report to the Dissemination Agent (if other than the Commission). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 hereof. The audited financial statements of the Commission may be submitted separately from the balance of the Annual Report if they are not available by the date of submission, provided such financial statements are submitted within 210 days after the end of the Commission’s fiscal year. If the Commission’s fiscal year changes, the Commission, upon

becoming aware of such change, shall give notice of such change in the same manner as for a Listed Event under Section 5(e) hereof.

(b) If by 15 Business Days prior to the date specified in subsection (a) for providing the Annual Report to the MSRB, the Dissemination Agent (if other than the Commission) has not received a copy of the Annual Report, the Dissemination Agent shall contact the Commission to determine if the Commission is in compliance with subsection (a).

(c) If the Commission is unable to provide to the MSRB or the Dissemination Agent (if other than the Commission), an Annual Report by the date required in subsection (a), the Commission shall send a notice to the MSRB through the EMMA System in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent (or the Commission, as applicable) shall confirm in writing to the Commission that the Annual Report has been filed as required hereunder, stating the date filed.

(e) The Commission acknowledges that Delta Air Lines, Inc. (“Delta”) is the only Obligated Person other than the Commission at present and is required by federal law to file annual reports with the Securities and Exchange Commission. The Commission takes no responsibility for the accuracy or completeness of such filings by Delta or by any future Obligated Person. Unless no longer required by the Rule to do so, the Commission agrees to use its reasonable best efforts to cause Delta (to the extent Delta is not otherwise required under federal law to do so), and any future Obligated Person, to make Annual Reports available as contemplated by this Section 3. Any change in Obligated Persons shall be reported by the Commission in connection with the Annual Reports.

Section 4. Content of Annual Reports.

(a) The Commission’s Annual Report shall contain or incorporate by reference the following, updated to incorporate information for the most recent fiscal or calendar year, as applicable (the tables referred to below are those appearing in the Official Statement):

(i) Audited financial statements of the Commission, updated to incorporate information for the most recent fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board, and as further modified according to applicable State law. If the Commission’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a) hereof, the Annual Report shall contain unaudited financial statements in a format similar to the usual format utilized by the Commission, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available;

(ii) Table 1 — Metropolitan Airports Commission, Irrevocably Committed PFCs (only if such information changes);

(iii) Table 2 — Metropolitan Airports Commission, Prior Senior Bonds;

(iv) Table 3 — Metropolitan Airports Commission, Prior Subordinate Bonds;

(v) Table 5 — Metropolitan Airports Commission, Historical Debt Service Coverage;

(vi) Table 10 — Minneapolis-St. Paul International Airport, O&D and Connecting Passengers;

(vii) Table 11 — Minneapolis-St. Paul International Airport, Aircraft Operations;

(viii) Table 12 — Minneapolis-St. Paul International Airport, Aircraft Landed Weight;

(ix) Table 13 — Minneapolis-St. Paul International Airport, Air Carriers Serving the Airport;

(x) Table 14 — Minneapolis-St. Paul International Airport, Air Carrier Market Share, Total Enplaned Passengers;

(xi) Table 16 — Minneapolis-St. Paul International Airport, Air Carrier Market Share, Total Cargo Handled;

(xii) Table 18 — Metropolitan Airports Commission, Summary of Statements of Revenues, Expenses and Changes in Net Position;

(xiii) Table 19 — Minneapolis-St. Paul International Airport, Airline Revenue;

(xiv) Table 20 — Minneapolis-St. Paul International Airport, Airline Cost Per Enplaned Passenger;

(xv) Table 21 — Minneapolis-St. Paul International Airport, Landing Fee Rates for Signatory Airlines;

(xvi) Table 22 — Metropolitan Airports Commission, Top Ten Operating Revenue Providers;

(xvii) Table 23 — Metropolitan Airports Commission, Top Ten Operating Revenue Sources;

(xviii) Table 29 — Metropolitan Airports Commission, Approved PFC Applications; and

(xix) Table 30 — Metropolitan Airports Commission, Annual Collections of PFCs.

(b) All or any portion of the information of the Annual Report may be incorporated in the Annual Report by cross reference to any other documents which have been filed with the MSRB.

(c) Information contained in an Annual Report for any fiscal year containing any modified operating data or financial information (as contemplated by Section 8 hereof) for such fiscal year shall explain, in narrative form, the reasons for such modification and the effect of such modification on the Annual Report being provided for such fiscal year. If a change in

accounting principles is included in any such modification, such Annual Report shall present a comparison between the financial statements or information prepared on the basis of modified accounting principles and those prepared on the basis of former accounting principles.

Any or all of the items above may be included by specific reference to other documents, including official statements of debt issues of the Commission or related public entities, which have been submitted to the MSRB. If the document included by reference is a final official statement, it must be available from the MSRB. The Commission shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2016C/D/E Bonds not later than ten business days after the occurrence of the event:

1. Principal and interest payment delinquencies;
2. Unscheduled draws on debt service reserves reflecting financial difficulties;
3. Unscheduled draws on credit enhancements reflecting financial difficulties;
4. Substitution of credit or liquidity providers, or their failure to perform;
5. Adverse tax opinions with respect to the tax status of the Series 2016C/D/E Bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB);
6. Tender offers;
7. Defeasances;
8. Rating changes; or
9. Bankruptcy, insolvency, receivership or similar event of the obligated person;

Note: for the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

(b) The Commission shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2016C/D/E Bonds, if material, not later than ten business days after the occurrence of the event:

1. Unless described in paragraph 5(a)(5) hereof, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series 2016C/D/E Bonds or other material events affecting the tax status of the Series 2016C/D/E Bonds;

2. Modifications to rights of the Beneficial Owners and/or Holders of the Series 2016C/D/E Bonds;

3. Optional, unscheduled or contingent bond calls;

4. Release, substitution or sale of property securing repayment of the Series 2016C/D/E Bonds;

5. Non-payment related defaults;

6. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; or

7. Appointment of a successor or additional trustee or the change of name of a trustee;

(c) The Commission shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 3(a) hereof, as provided in Section 3 hereof.

(d) Whenever the Commission obtains knowledge of the occurrence of a Listed Event described in Section 5(b) hereof, the Commission shall determine if such event would be material under applicable federal securities laws.

(e) If the Commission learns of an occurrence of a Listed Event described in Section 5(a) hereof, or determines that knowledge of a Listed Event described in Section 5(b) hereof would be material under applicable federal securities laws, the Commission shall within ten business days of occurrence file a notice of such occurrence with the MSRB through the EMMA System in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsections (a)(7) or (b)(3) hereof need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Holders and Beneficial Owners of the affected Series 2016C/D/E Bonds pursuant to the Senior Indenture and the Subordinate Indenture.

Section 6. Termination of Reporting Obligation. The Commission's obligations under this Certificate shall terminate upon the legal defeasance, prior redemption or payment of amounts fully sufficient to pay and discharge the Series 2016C/D/E Bonds, or upon delivery to the Dissemination Agent (if other than the Commission) of an opinion of nationally recognized bond counsel to the effect that continuing disclosure is no longer required. If such termination occurs prior to the final maturity of the

Series 2016C/D/E Bonds, the Commission shall give notice of such termination in the same manner as for a Listed Event under Section 5(e) hereof.

Section 7. Dissemination Agent. From time to time, the Commission may appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent (if other than the Commission) shall be entitled to reasonable compensation for its services hereunder and reimbursement of its out of pocket expenses (including, but not limited to, attorneys' fees). The Dissemination Agent (if other than the Commission) shall not be responsible in any manner for the content of any notice or report prepared by the Commission pursuant to this Certificate.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Certificate, the Commission may amend this Certificate, and any provision of this Certificate may be waived, provided that all of the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, change in law (including rules or regulations) or in interpretations thereof, or change in the identity, nature or status of an obligated person with respect to the Series 2016C/D/E Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2016C/D/E Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2016C/D/E Bonds in the same manner as provided in the Senior Indenture and the Subordinate Indenture for amendments to the Senior Indenture and the Subordinate Indenture, as applicable, with the consent of Holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2016C/D/E Bonds.

In the event of any amendment or waiver of a provision of this Certificate, the Commission shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Commission. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(e) hereof, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 9. Additional Information. Nothing in this Certificate shall be deemed to prevent the Commission from disseminating any other information, using the means of dissemination set forth in this Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Certificate. If the Commission chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Certificate, the Commission shall

have no obligation under this Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the Commission to comply with any provision of this Certificate, any Holder or Beneficial Owner of the Series 2016C/D/E Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Commission or the Dissemination Agent (if other than the Commission), as the case may be, to comply with its obligations under this Certificate. A default under this Certificate shall not be deemed an Event of Default under the Senior Indenture or the Subordinate Indenture and the sole remedy under this Certificate in the event of any failure of the Commission or the Dissemination Agent (if other than the Commission) to comply with this Certificate shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are expressly and specifically set forth in this Certificate, and the Commission agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any claims, losses, expenses and liabilities which such Dissemination Agent may incur arising out of or in the exercise or performance of the powers and duties given to the Dissemination Agent hereunder, including the costs and expenses (including attorneys' fees) of defending, in any manner or forum, against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct, subject to the Senior Indenture and the Subordinate Indenture, as applicable. The obligations of the Commission under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2016C/D/E Bonds.

Section 12. Beneficiaries. This Certificate shall inure solely to the benefit of the Commission, the Dissemination Agent, the Participating Underwriter and the Holders and Beneficial Owners from time to time of the Series 2016C/D/E Bonds, and shall create no rights in any other person or entity.

Section 13. Governing Law. This Certificate shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, the undersigned has hereunto signed and executed this Continuing Disclosure Certificate this 20th day of December, 2016.

METROPOLITAN AIRPORTS COMMISSION

By _____
Stephen L. Busch
Vice President, Finance and Administration

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD
OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Metropolitan Airports Commission

Name of Bond Issue: Minneapolis–St. Paul Metropolitan Airports Commission Senior Airport Revenue Bonds, Series 2016C

Minneapolis–St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2016D

Minneapolis–St. Paul Metropolitan Airports Commission Subordinate Airport Revenue Bonds, Series 2016E

Date of Issuance: December 20, 2016

CUSIP: 603827____

NOTICE IS HEREBY GIVEN that the Metropolitan Airports Commission (the “Commission”) has not provided an Annual Report with respect to the above named Bonds as required by Section 3 of the Continuing Disclosure Certificate, dated December 20, 2016, executed by the Commission for the benefit of the holders and beneficial owners of the above referenced bonds. The Commission anticipates that the Annual Report will be filed by _____, 20__.

Dated: _____

METROPOLITAN AIRPORTS COMMISSION

By _____
Authorized Representative

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APPENDIX G

BOOK-ENTRY-ONLY SYSTEM

Introduction

Unless otherwise noted, the information contained under the caption “—General” below has been provided by DTC. The Commission makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2016C/D/E Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NONE OF THE COMMISSION, THE SENIOR TRUSTEE OR THE SUBORDINATE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2016C/D/E BONDS UNDER THE SENIOR INDENTURE OR THE SUBORDINATE INDENTURE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2016C/D/E BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE TO THE OWNERS OF THE SERIES 2016C/D/E BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2016C/D/E BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Series 2016C/D/E Bonds. The Series 2016C/D/E 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 Series 2016C/D/E Bond certificate will be issued for each maturity of the Series 2016C/D/E Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated

subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of the Series 2016C/D/E Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2016C/D/E Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2016C/D/E Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016C/D/E Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2016C/D/E Bonds, except in the event that use of the book-entry system for the Series 2016C/D/E Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016C/D/E Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2016C/D/E Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016C/D/E Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2016C/D/E Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2016C/D/E Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2016C/D/E Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series 2016C/D/E Bond documents. For example, Beneficial Owners of Series 2016C/D/E Bonds may wish to ascertain that the nominee holding the Series 2016C/D/E Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

While the Series 2016C/D/E Bonds are in the book-entry-only system, redemption notices will be sent to DTC. If less than all of the Series 2016C/D/E Bonds of a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016C/D/E Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Commission as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to

those Direct Participants to whose accounts the Series 2016C/D/E Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Series 2016C/D/E 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 Commission, the Senior Trustee or the Subordinate Trustee on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Senior Trustee, the Subordinate Trustee or the Commission, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Commission, the Senior Trustee or the Subordinate Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2016C/D/E Bonds at any time by giving reasonable notice to the Commission, the Senior Trustee or the Subordinate Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2016C/D/E Bonds are required to be printed and delivered.

The Commission may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2016C/D/E Bonds will be printed and delivered to DTC.

The information in this Appendix G concerning DTC and DTC's book-entry system has been obtained from sources that the Commission believes to be reliable, but neither the Commission nor the Underwriters take any responsibility for the accuracy thereof.

BENEFICIAL OWNERS WILL NOT RECEIVE PHYSICAL DELIVERY OF SERIES 2016C/D/E BONDS AND WILL NOT BE RECOGNIZED BY THE SENIOR TRUSTEE OR THE SUBORDINATE TRUSTEE AS OWNERS THEREOF, AND BENEFICIAL OWNERS WILL BE PERMITTED TO EXERCISE THE RIGHTS OF OWNERS ONLY INDIRECTLY THROUGH DTC AND THE DTC PARTICIPANTS.

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