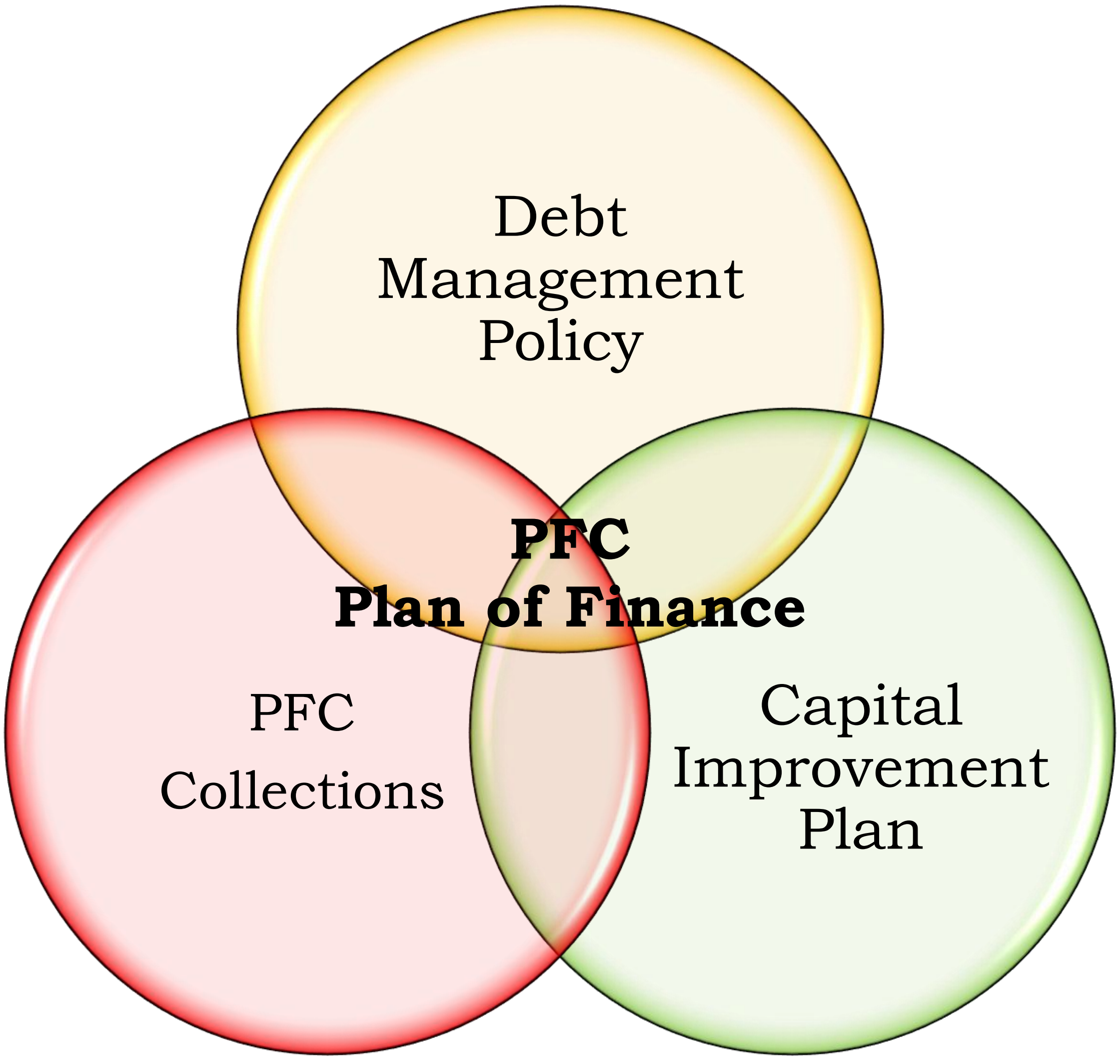
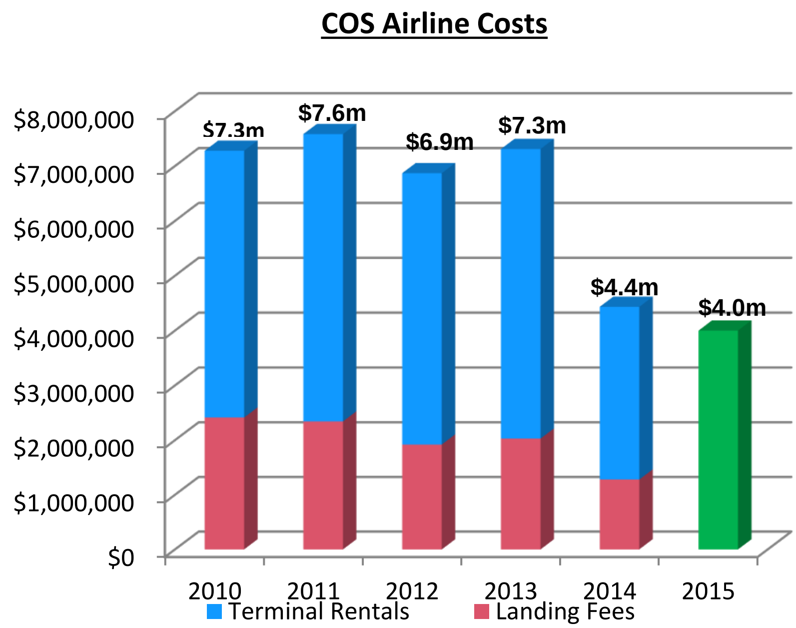



COLORADO SPRINGS AIRPORT

**Background**

During the first quarter of 2014, the Airport partially refunded and refinanced its 2002 Series General Airport Revenue Bond (GARB) resulting in a reduction of annual debt service from approximately $5.4 million in 2013 to $2.4 million in 2014. Through a continued Debt Management Policy, the Airport has identified an opportunity to further lower its remaining annual GARB debt service by over 40% (from $2.4M to an estimated $1.4M) by removing the 2007 GARB Series from the rates and charges structure beginning in 2015.




*2015 is estimated

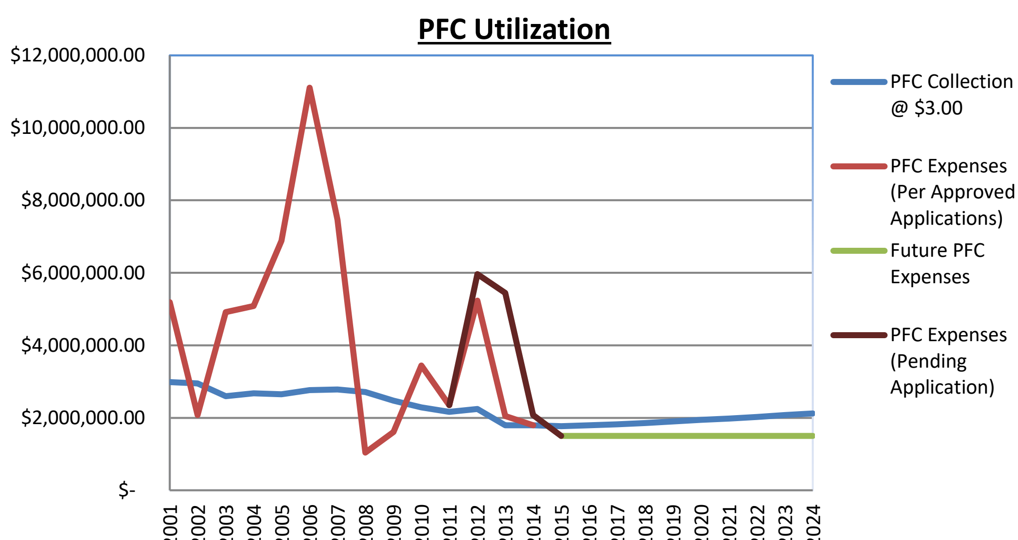
**Go-Forward Strategy**

The opportunity to eliminate the 2007 GARB series is based on the restoration of cash reserves previously utilized to finance past Passenger Facility Charge (PFC) project expenses.

As illustrated in the adjoining graph, the elimination of the 2007 GARB series will result in a further reduction of COS airline costs by an additional 10%; (with all other expenses and revenues remaining neutral). This goal will play a significant role in the continued review and execution of the Airport's Capital Improvement Plan as well as the Airport's new PFC Plan of Finance.

**New PFC Plan of Finance**

Although our past PFC projects have been dedicated to high-priority capital needs, the diminishing nature of our PFC collections and increasing PFC commitments has caused the Airport to finance a number of these projects through reserve funds. Originally intended to be "Pay-Go", the graduated drop in enplanements since 2007 has resulted in a long term deficit between PFC collections and expenses.



As shown in the PFC Utilization graph, the combination of diminishing collections and increasing expenditures from 2001-2013 is not a sustainable practice. This past practice has restricted the Airport's ability to utilize cash reserves for debt reduction.

The Airport's new Plan of Finance will stop this negative PFC cash flow trend and restore the previously expended reserves by following the guidelines listed below:

- Prioritize future PFC projects to ensure they are feasible and affordable without burdening reserves
- Include future design costs of grant funded projects within the project grant applications
- Fully leverage available state, federal and private funding sources reducing Airport's matching share
- Defer, de-scope, or delete future PFC funded project expenses to align with PFC collections
- Issue PFC backed debt as appropriate to allow for PFC project financing

After this plan is fully executed in 2015, the Airport's GARB debt service expenses will be less than one-quarter of those in place at the beginning of 2014.

**State Infrastructure Bank (SIB) Program (Colorado Department of Transportation)**

On May 15th, 2014, the Airport's SIB application was approved by the State's Transportation Commission for a PFC backed loan in the amount of $2.336M. This low-interest rate (2.5%) loan will allow the Airport to accomplish three positive objectives:

1. Finance all FY2014 PFC project commitments. The loan will be serviced utilizing approximately 15% of the annual estimated PFC collections over a 10 year term.
2. Restore a portion of cash reserves previously utilized for PFC projects.
3. Maintains 85% of all planned PFC collections to finance future PFC eligible projects.