

Tucson Airport Authority



Request for Proposals for

Fixed Rate Direct Placement

Date Issued: June 19, 2018

Proposal Due Date: July 17, 2018 by 2:00 PM local time

A. Project Overview

Through this Request for Proposals (this “RFP”), the Tucson Airport Authority (the “Authority”) hereby invites banks and other financial institutions (each a “Financial Institution”) to submit proposals to purchase all of the Authority’s Subordinate Lien Revenue Refunding Bonds, Series 2018 (the “Series 2018 Refunding Bonds”), described below, on a direct placement basis. Information is provided herein on the Authority and the Tucson International Airport (the “Airport”), the Authority’s proposed issuance of the Series 2018 Refunding Bonds, the type of information that interested firms are asked to provide, and the procedures for submitting a response to the Authority.

Please note that Financial Institutions which did not receive this RFP directly from the Authority are welcome to respond to it. However, the Authority requests that such Financial Institutions provide e-mail contact information to John Schubert of the Authority (at jschubert@flytucson.com), so that the Authority can send additional information, if any, that may be provided related to this RFP prior to the due date for responses.

B. The Authority’s Proposed Series 2018 Refunding Bonds

Plan of Refunding. The Authority plans to refund its outstanding Series 2001 and Series 2006 Subordinate Lien Bonds (the “Refunded Bonds”), both of which are currently callable at par.

The Series 2001 Bonds are currently outstanding in the amount of \$26,370,000 and the Series 2006 Bonds are currently outstanding in the amount of \$18,425,000. Upon completion of the refunding, the Series 2018 Refunding Bonds will be the only outstanding debt of the Authority. The Series 2001 and Series 2006 Bonds are both Private Activity Bonds subject to the alternative

minimum tax ("AMT") for individuals and the Series 2018 Refunding Bonds will also be subject to the AMT for individuals.

The Authority anticipates the Series 2018 Refunding Bonds will refund all \$26,370,000 of the outstanding Series 2001 Bonds and \$14,045,000 of the outstanding Series 2006 Bonds, as illustrated in the adjacent table. Concurrently with the issuance of the Series 2018 Refunding Bonds, the Authority expects to redeem the remaining \$4.380 million of Series 2006 Bonds with Authority funds. Further, the Authority anticipates the release of funds held in the 2006 Debt Service Reserve Fund for the redemption of the Series 2006 Bonds, which will commensurately reduce the size of the Series 2018 Refunding Bonds.

Series 2006 Bonds to be Refunded	
Date	Amount
12/1/2018	\$1,275,000
12/1/2019	\$1,340,000
12/1/2020	\$1,405,000
12/1/2021	\$1,475,000
12/1/2022	\$1,545,000
12/1/2023	\$1,625,000
12/1/2024	\$1,705,000
12/1/2025	\$1,790,000
12/1/2026	\$1,885,000
	<u>\$14,045,000</u>

The Authority anticipates that the principal repayment schedule for its Series 2018 Refunding Bonds will be structured so that it results in aggregate uniform savings through FY 2031. Principal on the Series 2018 Refunding Bonds will be payable semi-annually on each April 1 and October 1, commencing April 1, 2019. The Authority's current projection of the principal amortization of the Series 2018 Refunding Bonds is shown in the following table:

Estimated Amortization Schedule					
FY	Maturity	Par	Maturity	Par	Total
2019	10/01/18	\$ -	04/01/19	\$ 3,370,000	\$ 3,370,000
2020	10/01/19	1,460,000	04/01/20	1,465,000	2,925,000
2021	10/01/20	1,510,000	04/01/21	1,515,000	3,025,000
2022	10/01/21	1,555,000	04/01/22	1,565,000	3,120,000
2023	10/01/22	1,605,000	04/01/23	1,610,000	3,215,000
2024	10/01/23	1,660,000	04/01/24	1,665,000	3,325,000
2025	10/01/24	1,715,000	04/01/25	1,720,000	3,435,000
2026	10/01/25	1,775,000	04/01/26	1,770,000	3,545,000
2027	10/01/26	1,835,000	04/01/27	1,835,000	3,670,000
2028	10/01/27	925,000	04/01/28	925,000	1,850,000
2029	10/01/28	955,000	04/01/29	960,000	1,915,000
2030	10/01/29	990,000	04/01/30	990,000	1,980,000
2031	10/01/30	1,025,000	04/01/31	1,025,000	2,050,000
Total:					\$37,425,000

Please note that the annual principal payments above were derived based on preliminary interest rates assumed by the Authority's financial advisor. The Authority desires to achieve aggregate uniform savings through FY 2031. Hence, the actual principal payments shown above could be adjusted by a minor amount based on the interest rates contained in the responses received to this RFP.

Authorization of the Bonds. The Series 2018 Refunding Bonds will be issued pursuant to a 2018 Amended and Restated Subordinate Lien Bond Resolution (the “Subordinate Lien Bond Resolution”), in a form effective on the delivery of the Series 2018 Refunding Bonds, containing the legal covenants, terms and conditions contained therein. The Authority will not be willing to make any material changes or additions to the Subordinate Lien Bond Resolution in connection with this RFP. At the time of delivery of the Series 2018 Refunding Bonds the Authority will also have in effect a separate 2018 Amended and Restated Senior Lien Bond Resolution (the “Senior Lien Bond Resolution”) authorizing the issuance, under certain circumstances, of senior lien general airport revenue bonds (the “Senior Lien Bonds”), which would be payable from Net Revenues of the Airport (as defined in the Senior Lien Bond Resolution) prior and senior to the lien securing the Series 2018 Refunding Bonds. No Senior Lien Bonds are currently outstanding and the Authority has no current plans to issue Senior Lien Bonds, but is reserving the right to issue such Senior Lien in the future under the conditions contained in the Senior Lien Bond Resolution.

Security and Sources of Payment for the Series 2018 Refunding Bonds. The Series 2018 Refunding Bonds will be secured by a pledge of and lien on the Net Revenues (as described in the Subordinate Lien Bond Resolution) derived by the Authority from the operation of the Airport, (i) on a parity with any subordinate lien bonds issued in the future by the Authority as provided in the Subordinate Lien Bond Resolution, and (ii) subordinate and junior to the lien and pledge of any senior lien bonds that may be issued by the Authority in the future under a Senior Lien Bond Resolution. Net Revenues consist of Revenues of the Airport less Operation and Maintenance Expenses (each as defined in the Subordinate Lien Bond Resolution). In addition to the pledge of Net Revenues, the principal of and interest on the Series 2018 Refunding Bonds will also be secured by a pledge of and lien on the net proceeds of a passenger facility charge (the “Passenger Facility Charge” or “PFC”) imposed by the Authority and collected on behalf of the Authority by passenger air carriers using the Airport (“PFC Revenues”).

Squire Patton Boggs (US) LLP will serve as bond counsel to the Authority and deliver its legal opinion to the purchaser on the validity and tax-exempt status of interest on the Series 2018 Refunding Bonds.

C. Background on the Authority and the Airport

The Authority, a civic non-profit corporation as provided for under Arizona law, was established on April 12, 1948. The Authority was established for the purpose of developing, promoting, operating and maintaining airports and air transportation facilities adjacent to the City and in Pima County, Arizona. As discussed more fully in the following sections, the Authority has leased the property comprising the Airport, operates the Airport System and performs an essential governmental function as provided under Arizona law.

The Airport System consists of the Airport, the main airport serving the Tucson metropolitan area and southern Arizona, and Ryan Airfield, a general aviation reliever airport. As of June 1, 2018,

the Airport was served by Alaska Airlines, American Airlines, Southwest Airlines, Delta Air Lines, United Airlines and Via Air.

The Airport is the primary air carrier airport serving metropolitan Tucson, Arizona's second largest city and the 53rd largest Metropolitan Statistical Area in the country, southern Arizona and northern Sonora, Mexico. The Airport is located approximately eight miles south of the central business district of the City.

According to Federal Aviation Administration (FAA) Passenger Boarding (Enplanement) statistics for calendar year 2016, the Airport ranked 71st in the United States in enplanements, enplaning 1,594,594 passengers, a 2.9% increase over calendar year 2015.

Additional information on the Authority and the Airport including the Authority's Comprehensive Annual Financial Report for the year ended September 30, 2017, may be found on the Authority's website, www.flytucson.com/taa/. The Airport Authority's historical audited financial statements, prior official statements, and its annual continuing disclosure filings are available at www.emma.msrb.org.

D. Request for Additional Information on this Request for Proposals

Requests for additional information related to this RFP may only be submitted to the Authority until June 27, 2018. Please do **not** contact any other parties in connection with this RFP. Any such requests for additional information should be submitted via email to:

John Schubert
Senior Director of Finance
jschubert@flytucson.com

Responses to the questions received will be provided via email by no later than July 9, 2018.

As noted in Section A above, Financial Institutions which did not receive this RFP directly from the Authority are welcome to respond to it. However, the Authority requests that such Financial Institutions provide e-mail contact information to John Schubert of the Authority at the e-mail address above, so that the Authority can send you additional information that may be provided related to this RFP, including the responses to any questions that may be received.

E. Instructions for Submitting a Proposal to the Authority

Responses to this RFP should consist of a completed Schedule 1 – Series 2018 Financial Institution Bond Proposal and must be received by the Authority by no later than the Proposal Due Date listed on the first page of this RFP. Proposals should be submitted electronically via email to:

John Schubert
Senior Director of Finance
jschubert@flytucson.com

Please send an exact electronic copy of your proposal to the following representative of the Authority's financial advisor:

Ken Cushine
Principal - Frasca & Associates, LLC
kcushine@frascallc.com

F. Schedule

The Authority anticipates that the following schedule will be followed for the receipt and evaluation of the responses to this RFP, and the closing of the direct placement transaction:

Date	Activity
June 19	Distribution of RFP to Financial Institutions
June 27	Deadline for Financial Institutions to submit questions related to RFP
July 9	Authority to provide responses to submitted questions
July 17	Deadline for the submission of proposals to Authority
August 3	Selection of preferred Financial Institution
August 30	Substantially finalize documents
September 5	Submit documents to TAA Board
September 12	TAA Board Meeting for approval
September 18	Close financing

G. Evaluation Criteria to be Considered by the Authority

The Authority will select a Financial Institution to provide the direct placement which, in the Authority's view, provides the best overall outcome for the Authority. Such evaluation will take into account factors such as the following:

- The rate (or pricing formula) offered on the direct placement
- The principal amount of the direct placement the Financial Institution is willing to purchase
- The final maturity of the direct placement the Financial Institution is willing to purchase
- The call provisions, if any, offered by the Financial Institution on the direct placement
- Any additional legal terms or conditions proposed by the Financial Institution
- The fees charged to the Authority, in addition to the interest rate on the direct placement
- The expenses related to the transaction for which the Financial Institution would expect to be reimbursed by the Authority

The Authority will only consider submittals from individual entities only; respondents may not submit as joint proposal with other firms.

The Authority reserves the right to reject any, or all, of the proposals received in response to this RFP.

Attachments:

- Schedule 1 – Series 2018 Financial Institution Bond Proposal
- Subordinate Lien Revenue Bond Resolution
- Senior Lien Revenue Bond Resolution

SCHEDULE 1:

Series 2018 Financial Institution Bond Proposal

Financial Institutions interested in purchasing the Authority's 2018 Subordinate Lien Bonds on a direct placement basis are hereby invited to submit a proposal to do so by providing the following.

1. Provide the pricing formula for setting the fixed rate on the Series 2018 Refunding Bonds as well as the Indicative Fixed Rate based on the pricing formula as of close of business July 16, 2018.
2. The terms, if any, under which the direct placement may be called at par at the option of the Authority. Banks may propose direct placement rates for the following options:
 - a. Either not callable or is subject to a "make whole" call;
 - b. Callable in year 7 (2025 call date);
 - c. Any other call provisions the bank wishes to propose
3. State whether the indicative rate in Question 1 is "locked in" and, if so, for how long. Financial Institutions should also clearly indicate how many days prior to closing a fixed rate can be locked in under your approach without requiring the Authority to either sign a rate lock agreement or be subject to breakage fees if the transaction does not close. The Authority prefers proposals with fixed rates set at the submission of the Proposal rather than fixed rates subject to a pricing formula.
4. Any specific legal terms, conditions or covenants your Financial Institution would require in connection with the Series 2018 Refunding Bonds. In submitting such terms, note that the Authority will not be willing to make any material changes or additions to the Subordinate Lien Bond Resolution in connection with this RFP. If none, state "none". If terms are requested, proposers must detail the actual language requested (i.e., a response stating that customary and usual terms for a transaction of this type or similar language is not acceptable).

5. Describe any and all additional fees (upfront or ongoing) or expenses other than the interest rate presented in Question 1, that the Financial Institution would expect to be paid in connection with the Series 2018 Refunding Bonds.
6. Please identify the law firm your Financial Institution would propose to use in connection with the placement of the Series 2018 Refunding Bonds. If the Financial Institution proposes that the Authority pay the Financial Institution's counsel fee, please provide the not-to-exceed fee cap that firm would propose to charge. Please note that Squire Patton Boggs (US) LLP is serving as the Authority's bond counsel on matters related to the issuance of the Series 2018 Refunding Bonds, and will thus not be available to serve as Financial Institution counsel.
7. The Authority has a Debt Service Reserve Fund ("DSRF") securing the Series 2006 Bonds in the amount of \$2,578,225, which will be released as part of the issuance of the Series 2018 Refunding Bonds. Confirm that you will not require a DSRF as security for the Series 2018 Bonds.
8. The Authority does not plan to seek a credit rating of the Series 2018 Refunding Bonds. Confirm that the Financial Institution does not require a rating.
9. The Authority does not plan to prepare an Official Statement or any other disclosure document in connection with the delivery of the Series 2018 Refunding Bonds. The Financial Institution selected as the "preferred Financial Institution" based on their response to this RFP will be given the opportunity to undertake additional due diligence on the Authority and the Airport. Also, the Financial Institution purchasing the Series 2018 Refunding Bonds will be required to sign a certificate, in a form acceptable to the Authority and bond counsel, that the Financial Institution is (a) a "qualified institutional buyer" as that term is defined in Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), or (b) an "accredited investor" as that term is defined in Regulation D under the Securities Act, and is purchasing the Series 2018 Refunding Bonds for its own account and not with the intention of reselling them. The Series 2018 Refunding Bonds will be issued as a single instrument that may be transferred in whole only to another "qualified institutional buyer" or "accredited investor" that signs a similar certificate and delivers it to the Bond Registrar for the Series 2018 Refunding Bonds.

Name of Proposer

Signature of Authorized Representative Date

Typed or Printed Name of Authorized Representative

Title

Address

E-mail Address

Telephone

As in Effect at Time of Delivery of 2018 Refunding Bond

TUCSON AIRPORT AUTHORITY, INC.

**2018 AMENDED AND RESTATED SUBORDINATE LIEN
AIRPORT REVENUE BOND RESOLUTION**

Adopted September 12, 2018

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A RESOLUTION AMENDING A RESOLUTION ADOPTED ON JULY 11, 2001, AUTHORIZING THE ISSUANCE OF SUBORDINATE LIEN AIRPORT REVENUE BONDS OF THE TUCSON AIRPORT AUTHORITY, INC., AS AMENDED; AND RESTATING IN FULL SUCH RESOLUTION, AS AMENDED.

WHEREAS, on July 11, 2001, the Board of Directors of Tucson Airport Authority, Inc. (the "Authority"), adopted a resolution entitled: "A RESOLUTION AUTHORIZING THE ISSUANCE OF SUBORDINATE LIEN REVENUE BONDS OF THE TUCSON AIRPORT AUTHORITY, INC.; PRESCRIBING THE LIMITATIONS ON AND THE CONDITIONS OF ISSUANCE AND THE FORM OF SUCH BONDS; PROVIDING FOR THE DETAILS OF SUCH BONDS; COVENANTING AS TO THE REVENUES, INCOME AND CHARGES OF SAID AUTHORITY AND THE USE AND APPLICATION OF SUCH REVENUES, INCOME AND CHARGES; PLEDGING THE NET REVENUES OF THE AUTHORITY ON A JUNIOR AND SUBORDINATE BASIS TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON SUCH BONDS AS THE SAME FALL DUE; AND MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING." (the "2001 Resolution"); and

WHEREAS, pursuant to a Supplemental Resolution adopted on July 11, 2001, the Authority has issued its Subordinate Lien Airport Revenue Bonds, Series 2001 (the "2001 Subordinate Lien Bonds"), which are currently outstanding in the aggregate principal amount of \$26,370,000; and

WHEREAS, the 2001 Resolution was amended and restated by a resolution adopted by the Board of Directors of the Authority on November 28, 2006 (the "2006 Subordinate Lien Bond Resolution"); and

WHEREAS, pursuant to a Supplemental Resolution adopted on November 28, 2006, the Authority has issued its Subordinate Lien Airport Revenue Bonds, Series 2006 (the "2006 Subordinate Lien Bonds"), which are currently outstanding in the aggregate principal amount of \$18,425,000; and

WHEREAS, the Authority intends to redeem, defease and retire all outstanding 2001 Subordinate Lien Bonds and 2006 Subordinate Lien Bonds on or about September 17, 2018 and it is now determined to be in the best interests of the Authority to make amendments to the 2006 Subordinate Lien Bond Resolution and to restate said resolution by adopting this 2018 Amended and Restated Subordinate Lien Airport Revenue Bond Resolution (referred to herein as "this Resolution");

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF TUCSON AIRPORT AUTHORITY, INC.:

ARTICLE I

DEFINITIONS AND COMPUTATIONS

SECTION 1.01. Definitions and Computations. Unless the context shall clearly indicate some other meaning, the terms defined in this section shall, for all purposes of this Resolution and of any resolution, certificate or other instrument supplemental hereto and of any opinion or

instrument or document herein or therein mentioned, have the meanings herein specified, with the following definitions to be equally applicable to both the singular and plural forms of any of the terms herein defined. The term:

“Accountant” means an independent Certified Public Accountant or a firm of independent Certified Public Accountants of recognized standing, employed by the Authority but in fact independent and not under the control of the Authority.

“Additional Subordinate Lien Bonds” means any additional bonds authorized and issued pursuant to Sections 2.02, 2.03 and 2.04 hereof at any time Outstanding.

“Airport” means the Tucson International Airport as the same may exist from time to time.

“Airport Consultant” means an independent person or firm or corporation (a) not under the control of the Authority or any airline or air carrier, and (b) who shall have a widely known and favorable reputation for special skill, knowledge and experience in methods of the development, operation and management of airports of the approximate size and character as the properties constituting the Airport System.

“Airport Purpose” means any action or undertaking by the Authority reasonably related to the development and promotion of the Airport System as a destination for air commerce or as industrial or commercial sites or related to the development and promotion of air transportation and commerce by air in the State of Arizona generally and in the County of Pima in particular, including the funding of any judgment or settlement of pending or threatened litigation.

“Airport System” means the Airport, the facilities known as Ryan Airfield and such other facilities as may from time to time be added to the jurisdiction of the Authority.

“Authority” means the Tucson Airport Authority, Inc., a non-profit civic corporation created and existing pursuant to the laws of the State of Arizona, or, if such corporation shall be abolished, the authority, board, body, commission or agency succeeding to the principal functions thereof or to which the powers and duties granted or imposed by this Resolution shall be given by law.

“Balloon Indebtedness” means with respect to any Series of Subordinate Lien Bonds, fifty percent (50%) or more of the principal of which comes due 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 principal maturing on a single date or within a Fiscal Year must equal or exceed 150% of the principal amount of such Series which matures during any prior Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the principal amount of such Series scheduled to be amortized by redemption prior to the stated maturity date thereof.

“Board” means the Board of Directors of the Authority, or if said Board shall be abolished, the board, body, commission or agency succeeding to the principal functions thereof or to which the powers and duties granted or imposed by this Resolution shall be given by law.

“Bond Counsel” means an attorney or firm of attorneys of recognized national standing in the field of law relating to municipal securities and to exclusion of interest thereon from income for federal income tax purposes selected by the Authority.

“Commercial Paper Dealer” means with respect to a Subordinate Lien Commercial Paper Program the dealer appointed by the Authority in the Supplemental Subordinate Lien Resolution providing for the issuance of the Subordinate Lien Commercial Paper Program Bonds and serving as such under a dealer agreement for such program, including any successors or assigns.

“Construction Fund” means the separate special fund of the Authority created and established in Section 3.01 hereof and designated in that section as the “Tucson Airport Authority Construction Fund”.

“Coverage Transfer Amount” means, for any Fiscal Year, the amount determined by the Designated Financial Officer of the Authority from amounts on deposit in the Airport Improvement Fund on the last day of the preceding Fiscal Year, other than those constituting Required Transfer Amounts, which may be used in the manner provided in Section 2.02 and Section 5.03 hereof.

“Debt Service” means with respect to any Series of Subordinate Lien Bonds, as of any particular date of computation and for any particular period or year:

(a) The aggregate amount required pursuant to Section 4.02 of this Resolution to be deposited during such period or year in the Subordinate Lien Bond Fund (i) to provide for the payment of interest on the Subordinate Lien Bonds of such Series, except to the extent that such interest is to be paid from (x) amounts credited to a Construction Interest Account in the Construction Fund, (y) amounts credited to any Interest Account for such Series, or (z) any other amounts available for the payment of interest, (ii) to provide for the payment at maturity of any such Subordinate Lien Bonds of such Series issued in serial form, and (iii) to provide for the retirement of any such Subordinate Lien Bonds of such Series issued in term form. Such interest and principal installments shall be calculated on the assumption that no Subordinate Lien Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason of the payment of principal installments for the Subordinate Lien Bonds of such Series on the due date thereof or through operation of the Term Bond Principal Account of the Subordinate Lien Bond Fund.

(b) For the purposes of computing Debt Service with respect to a Series of Subordinate Lien Bonds issued as Variable Rate Subordinate Lien Bonds or an Integrated Swap Agreement that provides for variable rate payments to be made by the Authority, the interest rate per annum shall be the average interest rate per annum expected to be borne by such Series of Variable Rate Subordinate Lien Bonds or Integrated Swap Agreement (computed on an actual day basis) for each Fiscal Year as estimated by the Designated Financial Officer of the Authority, provided, however, that if the Authority enters into an Integrated Swap Agreement with respect to a Series of Variable Rate Subordinate Lien Bonds that provides for fixed payments to be made by the Authority, the interest rate thereon shall be the fixed interest rate established under the Integrated Swap Agreement.

With respect to any payment under any agreement referred to in Section 2.08 hereof which payments are payable from Net Revenues and secured by a lien on and pledge of Net Revenues on a parity with the lien on and pledge of the Net Revenues created for the payment and security of the Subordinate Lien Bonds, "Debt Service" shall include the full amount of any such payments.

(c) If all or any portion of a Series of Outstanding Subordinate Lien Bonds constitute Balloon Indebtedness, then for purposes of computing Debt Service, each maturity which constitutes Balloon Indebtedness shall, unless otherwise provided in the Supplemental Subordinate Lien Resolution providing for the issuance of such Balloon Indebtedness or unless subsection (d) of this definition applies, be treated as if it were to be amortized over a period of twenty (20) years (or the actual number of years over which such Balloon Indebtedness is to be amortized, if greater than twenty (20) years, but in no event greater than thirty (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 the stated or deemed, as the case may be, final maturity of such Balloon Indebtedness, but in no event later than thirty (30) years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation shall be that rate equal to (i) as to such Subordinate Lien Bonds which are to bear interest excludable from gross income for federal income tax purposes, The Bond Buyer Revenue Bond Index or, if discontinued, another comparable index selected by the Designated Financial Officer, for obligations of similar credit quality, and (ii) as to Subordinate Lien Bonds which are not to bear interest excludable from gross income for federal income tax purposes, United States Treasury obligations of similar maturities; with respect to any Series of Subordinate Lien Bonds only a portion of which constitutes Balloon Indebtedness, the remaining portion shall be treated as described in paragraph (a) above or such other provision of this definition as shall be applicable and, with respect to any Series of Subordinate Lien 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 shall be treated as described in paragraph (a) above or such other provision of this definition as shall be applicable Balloon Indebtedness.

(d) Any maturity of a Series of Subordinate Lien Bonds which constitutes Balloon Indebtedness as described in paragraph (c) of this definition and for which the stated maturity date occurs within twelve (12) months from the date such calculation of Debt Service is made, shall be assumed to become due and payable on the stated maturity date and paragraph (c) above shall not apply thereto unless there is delivered to the Designated Financial Officer of the Authority a letter or agreement evidencing a binding commitment from a banking institution or investment banking institution to provide financing to refinance such maturity of Balloon Indebtedness and stating the probable terms of such refinancing and that the Net Revenues of the Authority are sufficient to successfully complete such refinancing; upon the receipt of such commitment, such Balloon Indebtedness shall be assumed to be refinanced in accordance with the terms set out in such commitment and such terms shall be used for purposes of calculating Debt Service, provided that such assumption shall not result in an interest rate lower than that which would be assumed under paragraph (c) above and shall be amortized over a term of not more than thirty (30) years from the date of refinancing.

(e) For purposes of computing Debt Service with respect to any Series of Subordinate Lien Bonds constituting Subordinate Lien Commercial Paper Program Bonds or Subordinate Lien Unissued Commercial Paper Program Bonds, it shall be assumed that the full principal amount of such Subordinate Lien Commercial Paper Program Bonds and Subordinate Lien Unissued Commercial Paper Program Bonds will be amortized over a term certified by the Designated Financial Officer of the Authority at the time the initial Subordinate Lien Commercial Paper Program Bonds of such Subordinate Lien Commercial Paper Program are issued to be the expected duration of such Subordinate Lien Commercial Paper Program or, if such expectations have changed, over a term certified by the Designated Financial Officer of the Authority to be the expected duration of such Subordinate Lien Commercial Paper Program at the time of such calculation, but not to exceed 30 years from the date the initial Subordinate Lien Commercial Paper Program Bonds of such Subordinate Lien Commercial Paper Program are issued and it shall be assumed that Debt Service shall be paid in substantially level annual debt service payments over such assumed term; the interest rate used for such computation shall be a rate equal to (i) as to such Subordinate Lien Commercial Paper Program Bonds which are to bear interest excludable from gross income for federal income tax purposes, The Bond Buyer Revenue Bond Index or, if discontinued, another comparable index selected by the Designated Financial Officer, for obligations of similar credit quality, and (ii) as to Subordinate Lien Commercial Paper Program Bonds which are not to bear interest excludable from gross income for federal income tax purposes, United States Treasury obligations of similar maturities.

“Designated Financial Officer” means the Vice President, Finance and Administration of the Authority or any other person as designated by the President/CEO of the Authority.

“Financial Institution” means any issuer or issuers of the Support Facility, successors or assigns.

“Fiscal Year” means the fiscal year for the Authority as established from time to time by the Authority, being on the date this Resolution becomes effective the twelve-month period ending September 30.

“Fitch” means Fitch Ratings, Inc., including any successors thereof.

“Governmental Obligations” shall mean (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America which are non-callable or redeemable only at the option of the holder and which at the time are legal investments for the monies proposed to be invested therein, (ii) receipts, certificates or other similar documents evidencing ownership of future interest or principal payments due on direct obligations of the United States of America held in a custody or trust account by a commercial bank (having at least \$20,000,000 in capital stock, surplus and undivided profits) pursuant to a custody or trust agreement, (iii) (A) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (1) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, and (2)

at the time of their purchase under this Resolution, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies, or (B) long-term obligations of any state or any political subdivision thereof the entire principal of and interest on which is insured pursuant to an irrevocable municipal bond insurance policy and which obligations are rated by two Rating Agencies in one of the two highest rating categories or (iv) Refunded Municipal Obligations.

“Hedge Agreement” means an interest rate swap or exchange agreement, including an Integrated Swap Agreement, a payment exchange agreement, forward purchase agreement or any other hedge agreement entered into by the Authority for any purpose providing for payments between the parties based on levels of, or changes in, interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including without limitation, interest rate floors or caps, options, puts or calls to hedge payment, rate, spread or similar risk.

“Holder” has the meaning provided in this section under “Subordinate Lien Bondholder”.

“Integrated Swap Agreement” means any interest rate swap agreement entered into by the Authority with respect to a Series of Subordinate Lien Bonds having a notional amount not exceeding the Outstanding principal amount of such Series of Subordinate Lien Bonds and pursuant to which the Authority agrees to make payments on the basis of (a) a fixed rate of interest or (b) a variable rate of interest.

“Integrated Swap Agreement Payments” means payments made pursuant to an Integrated Swap Agreement on the basis of fixed or variable rates of interest; specifically excluding, however, termination payments, fees, expenses and other amounts payable under an Integrated Swap Agreement not specifically made on the basis of interest rates.

“Interest Increment Amount” means, as of any particular date of computation and for any particular period or year, with respect to any Variable Rate Subordinate Lien Bonds the difference, if any, between the rate of interest per annum borne by Variable Rate Subordinate Lien Bonds in accordance with their terms as set forth in the Supplemental Subordinate Lien Resolution providing for the issuance thereof for all Holders other than an issuer or issuers of a Support Facility, and the rate such Variable Rate Subordinate Lien Bonds bear when such Variable Rate Subordinate Lien Bonds are held by an issuer or issuers of a Support Facility.

“Interest Payment Date” means, with respect to any particular Series of Subordinate Lien Bonds, any date on which interest is payable on such Series of Subordinate Lien Bonds as such date shall be established in the Supplemental Subordinate Lien Resolution providing for the issuance of such Series of Subordinate Lien Bonds.

“Investment Securities” means any of the following which at the time are legal investments under the laws of the State of Arizona for the monies held hereunder then proposed to be invested therein:

- (a) Government Obligations;

(b) Obligations of United States Government agencies and instrumentalities, including obligations of Federal Financing Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration and the Farmers Home Administration;

(c) Bonds, notes or other obligations of any State of Arizona local government or public authority, provided such bonds, notes or other obligations are rated in one of the two highest rating categories by Moody's and S&P;

(d) Savings certificates or certificates of deposit issued by any commercial bank or savings and loan association organized under the laws of the State of Arizona or by any federal bank or savings and loan association; provided, however that any principal amount of such certificates in excess of the amount insured by the federal government or any agency thereof, be fully collateralized by obligations described in (a) or (b) above;

(e) Prime quality commercial paper bearing a rating in one of the two highest rating categories from at least two Rating Agencies;

(f) Participating shares in pooled investment funds maintained by the State Treasurer of Arizona for the collective investments of monies of State and local entities;

(g) Repurchase agreements with respect to Government Obligations if (1) entered into with a broker or dealer, as defined by the Securities Exchange Act of 1934, as amended, which is a dealer recognized as a primary dealer by a Federal Reserve bank with a short-term rating of not less than one of the two highest categories from at least two Rating Agencies, or any commercial bank, trust company or national banking association rated in one of the two highest categories by at least two Rating Agencies, the deposits of which are insured by the Federal Deposit Insurance Corporation or any successor thereof, or (2) the repurchase agreement constitutes a "repurchase agreement" within the meaning of the United States Bankruptcy Code, if:

(A) such obligations that are subject to such repurchase agreement are delivered (in physical or in book-entry form) to the Authority, or any financial institution serving either as trustee for the Authority or as fiscal agent for the Authority or are supported by a safekeeping receipt issued by a depository satisfactory to the Authority, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated at least daily, of not less than one hundred percent (100%) of the repurchase price, and, provided further, that the financial institution serving either as trustee or as fiscal agent for the Authority holding the obligations subject to the repurchase agreement hereunder or the depository issuing the safekeeping receipt shall not be the provider of the repurchase agreement;

(B) a valid and perfected first security interest in the obligations which are the subject of such repurchase agreement has been granted to the Authority or its assignee or book entry procedures, conforming, to the extent practicable, with federal

regulations and satisfactory to the Authority have been established for the benefit of the Authority or its assignee;

(C) such securities are free and clear of any adverse third party claims; and

(D) such repurchase agreement is in a form satisfactory to the Authority;
and

(h) any other investments which at the time are legal investments under the laws of the State of Arizona for the monies held hereunder then proposed to be invested therein

“Junior Subordinate Lien Obligations” means bonds, notes, certificates, warrants or other evidences of indebtedness for any corporate use or purpose of the Authority relating to the Airport System payable as to principal and interest from the Net Revenues subject and subordinate, and secured by a lien and pledge on the Net Revenues junior and inferior, to the lien and pledge on the Net Revenues herein created for the payment and security of the Subordinate Lien Bonds.

“Kroll” means Kroll Inc., including any successors thereof.

“Lease” means that agreement entered into by and between the City of Tucson, Arizona and the Authority on the 14th day of October, 1948, as the same has heretofore been or may hereafter be amended, by which the Airport is leased to the Authority.

“Moody’s” means Moody’s Investors Service, including any successors thereof.

“Net Revenues” means Net Revenues as defined in the Senior Lien Bond Resolution.

“Operation and Maintenance Expenses” means Operation and Maintenance Expenses as defined in the Senior Lien Bond Resolution.

“Outstanding” when used with respect to any Subordinate Lien Bond shall have the construction given to such word in Section 9.01 hereof, i.e., a Subordinate Lien Bond shall not be Outstanding hereunder if such Subordinate Lien Bond is at the time not deemed to be Outstanding hereunder by reason of the operation and effect of said Section 9.01.

For purposes of this Resolution, in the event any Subordinate Lien Bonds of a Series are issued and sold at a price such that a portion of or all of the interest thereon is intended to be earned by accrual of original issue discount, the amount of such Subordinate Lien Bonds deemed to be Outstanding for the purpose of calculating the principal amount of any such Subordinate Lien Bonds and the principal amount of Subordinate Lien Bonds Outstanding in connection with the exercise of any voting right or privilege, the giving of any consent or direction or the taking of any other action that the Holders of the Subordinate Lien Bonds are entitled to take pursuant to Articles VI and VII of this Resolution or otherwise, shall be the accreted value thereof. The accreted value of any such Subordinate Lien Bonds on any date shall be the present value thereof on the immediately preceding Interest Payment Date for such Series of Subordinate Lien Bonds (or if such date is an Interest Payment Date for such Series of Subordinate Lien Bonds, on such date) determined by computing the present worth of all

payments of principal and interest remaining to be paid thereon using a discount factor equal to the yield at which such Subordinate Lien Bonds were initially offered to the public. Prior to the issuance and delivery of any Subordinate Lien Bonds of the character described in this paragraph, a certificate of the Authority shall be executed setting forth the accreted value thereof as of each Interest Payment Date for such Series of Subordinate Lien Bonds to the stated maturity date thereof, which certificate shall be conclusive in the absence of manifest error. Unless otherwise provided in the Supplemental Subordinate Lien Resolution providing for the issuance of a Series of Subordinate Lien Bonds, this paragraph shall apply only to issues with an original issue discount in excess of 5% of the par amount thereof.

When used with reference to the Senior Lien Bonds “Outstanding” shall have the meaning set forth in the Senior Lien Bond Resolution.

“Paying Agent” means as to any Subordinate Lien Bond of a Series the Paying Agent or Paying Agents for the Subordinate Lien Bonds of such Series appointed in the Supplemental Subordinate Lien Resolution providing for the issuance of the Subordinate Lien Bonds of such Series.

“PFC Revenues” means the net proceeds of any passenger facility charge that may be levied pursuant to 49 U.S.C. §40177, as amended from time to time, and regulations promulgated pursuant thereto, or analogous charge or fee levied pursuant to law, which are received and retained by the Authority.

“Project Costs” shall have the meaning given to such term in Section 3.01 hereof.

“Rating Agency” means S&P, Moody’s, Fitch, or Kroll, or any other nationally recognized rating agency, or their respective successors.

“Record Date” means, with respect to any particular Series of Subordinate Lien Bonds, the date designated as the Record Date for such Series of Subordinate Lien Bonds in the Supplemental Subordinate Lien Resolution authorizing the issuance thereof.

“Refunded Municipal Obligations” means noncallable obligations of any state, the District of Columbia or possession of the United States or any political subdivision thereof which obligations are rated in the highest rating category by Moody’s and S&P and provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of direct obligations of the United States of America, which are held by a bank or trust company organized and existing under the laws of the United States of America or any state, the District of Columbia or possession thereof in the capacity as custodian, the maturing principal of and interest on which obligations when due and payable shall be sufficient to pay when due the principal of and interest on such obligations of such state, the District of Columbia, possession, or political subdivision.

“Registrar” means with respect to a Series of Subordinate Lien Bonds, the Registrar appointed for such Series of Subordinate Lien Bonds by the Authority in the Supplemental Subordinate Lien Resolution providing for the issuance of the Subordinate Lien Bonds of such Series.

“Released Revenues” means revenues of the Authority (i) which have qualified as “Released Revenues” under the Senior Lien Bond Resolution, if any Senior Lien Bonds are outstanding thereunder, and (ii) in respect of which the following have been filed with the Authority:

(a) a written determination of the Designated Financial Officer to release such category of revenues, accompanied by a written certificate certifying the Authority is in compliance with all requirements of this Subordinate Lien Resolution;

(b) a report of an Accountant to the effect that Net Revenues, after deducting Senior Lien Aggregate Annual Debt Service, excluding the category of revenues proposed to become Released Revenues, for each of the two most recently completed Fiscal Years prior to the date of such report were equal to at least 125% of Subordinate Lien Maximum Aggregate Annual Debt Service;

(c) a certificate of an Airport Consultant retained by Authority to the effect that based upon current knowledge of the operations of the Airport System, Net Revenues, after deducting Senior Lien Aggregate Annual Debt Service, excluding the category of revenues proposed to become Released Revenues, for the then-current Fiscal Year will be equal to at least 150% of Subordinate Lien Maximum Aggregate Annual Debt Service;

(d) Rating Agency confirmation that the uninsured ratings, if any, then assigned to any Subordinate Lien Bonds by such Rating Agency will not be reduced or withdrawn as a result of such withdrawal of Released Revenues; and

(e) an opinion of Bond Counsel to the effect that the exclusion of such revenues from the definition of Revenues and from the pledge, charge and lien of this Resolution will not in and of itself cause the interest on any Outstanding Subordinate Lien Bond issued as tax-exempt securities to be included in gross income for purposes of federal income taxation.

“Remarketing Agent” means with respect to a Series of Variable Rate Subordinate Lien Bonds the Remarketing Agent appointed by the Authority in the Supplemental Subordinate Lien Resolution providing for the issuance of the Subordinate Lien Bonds of such Series and serving as such under the Remarketing Agreement for such Series, including any successors or assigns.

“Remarketing Agreement” means with respect to any Series of Variable Rate Subordinate Lien Bonds the agreement entered into by the Authority with a Remarketing Agent which provides for the purchase and remarketing of such Variable Rate Subordinate Lien Bonds, as such agreement may be supplemented and amended from time to time.

“Required Transfer Amount” means amounts in the Airport Improvement Fund which are required to be transferred by the Authority to the Revenue Fund under contractual obligations with air carriers.

“Resolution” means this Resolution, as the same may be amended and supplemented from time to time, and, unless the context shall clearly indicate otherwise, shall include all Supplemental Subordinate Lien Resolutions.

“Revenue Fund” means Revenue Fund as defined in the Senior Lien Bond Resolution.

“Revenues” or “Gross Operating Income” means “Revenues” or “Gross Operating Income” as defined in the Senior Lien Bond Resolution.

“S&P” means S&P Global Ratings, a division of Standard & Poor’s Financial Services LLC, including any successors thereof.

“Senior Lien Aggregate Annual Debt Service” means for any Fiscal Year “Senior Lien Aggregate Annual Debt Service” as defined in the Senior Lien Bond Resolution.

“Senior Lien Bonds” means any bonds issued under the Senior Lien Bond Resolution that maintains a lien on Revenues or Net Revenues senior and superior to Subordinate Lien Bonds issued hereunder.

“Senior Lien Bond Resolution” means the resolution of the Authority adopted December 4, 1990 entitled: “A RESOLUTION AUTHORIZING THE ISSUANCE OF AIRPORT REVENUE BONDS OF THE TUCSON AIRPORT AUTHORITY, INC.; PRESCRIBING THE LIMITATIONS ON AND THE CONDITIONS OF ISSUANCE AND THE FORM OF SUCH BONDS, PROVIDING FOR THE DETAILS OF SUCH BONDS; COVENANTING AS TO THE REVENUES, INCOME AND CHARGES OF SAID AUTHORITY AND THE USE AND APPLICATION OF SUCH REVENUES, INCOME AND CHARGES; PLEDGING SUCH REVENUES, INCOME AND CHARGES TO THE PAYMENT OF THE PRINCIPAL, PREMIUM, IF ANY, AND INTEREST ON SUCH BONDS AND LIMITING SUCH PAYMENT SOLELY TO SUCH REVENUES, INCOME AND CHARGES; AND MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING”, as last amended and restated on September 12, 2018, and as further supplemented and amended from time to time, and/or any other resolution of the Authority hereafter adopted in substitution therefore of which bonds issued thereunder shall maintain a lien on Net Revenues senior and superior to Subordinate Lien Bonds issued hereunder.

“Series” or “Series of Subordinate Lien Bonds” means any particular Series of Subordinate Lien Bonds issued pursuant to a Supplemental Subordinate Lien Resolution in accordance with Article VI hereof.

“SIFMA Index” means an index based upon the weekly interest rate resets of tax-exempt variable rate issues included in a data base maintained by Municipal Market Data which meet specific criteria established by the Securities Industry and Financial Markets Association and effective on the date applied or in the event such index is no longer maintained, an equivalent index with the same components as the SIFMA Index.

“Special Facility” means a “Special Facility” as defined in the Senior Lien Bond Resolution.

“Subordinate Lien Aggregate Annual Debt Service” means for any Fiscal Year the aggregate amount of Debt Service on all Outstanding Subordinate Lien Bonds and Subordinate Lien Unissued Commercial Paper Program Bonds, provided, however, that if federal or state grants or other monies have been irrevocably committed or are held by the Authority or by a

fiduciary and are to be set aside exclusively to be used to pay the principal of and/or interest on all or a portion of any Series of Subordinate Lien Bonds, then the principal of and/or interest on such Series of Subordinate Lien Bonds to be paid from such federal or state grants or other monies or from earnings thereon shall be disregarded and not included in calculating Subordinate Lien Aggregate Annual Debt Service.

“Subordinate Lien Bond” or “Subordinate Lien Bonds” means any Subordinate Lien Airport Revenue Bond authorized by Sections 2.01, 2.02, 2.03 or 2.04 hereof at any time Outstanding under and pursuant to this Resolution, including the initial Series of Subordinate Lien Bonds at any time Outstanding, Additional Subordinate Lien Bonds at any time Outstanding, Subordinate Lien Completion Bonds at any time Outstanding, and Subordinate Lien Refunding Bonds at any time Outstanding, but shall not include any Special Obligation Bonds defined in Section 8.01 hereof.

“Subordinate Lien Bond Fund” means the separate special fund of the Authority created pursuant to Section 4.02 hereof and designated in that section as the “Tucson Airport Authority Subordinate Lien Revenue Bond Fund”.

“Subordinate Lien Bondholder” or “holder of a Subordinate Lien Bond” means the registered owner of any Subordinate Lien Bond as shown on the books of registry of the Registrar maintained pursuant to this Resolution, and shall include any beneficial owner of a Subordinate Lien Bond or his nominee.

“Subordinate Lien Bond Reserve Fund” means the separate special fund of the Authority established pursuant to Section 4.03 hereof and designated in that section as the “Tucson Airport Authority Subordinate Lien Bond Reserve Fund”.

“Subordinate Lien Bond Reserve Fund Requirement” means with respect to any Series of Subordinate Lien Bonds, unless otherwise provided in the Supplemental Subordinate Lien Resolution authorizing such Series, the least of (a) the greatest amount of principal and interest payable on a Series of Subordinate Lien Bonds in the then current or any future Fiscal Year, (b) 125% of the average annual principal and interest payable on such Series of Subordinate Lien Bonds (calculated by dividing the sum of principal and interest payments on such Series of Subordinate Lien Bonds by the number of years to the final maturity of such Series of Subordinate Lien Bonds) or (c) 10% of the initial public offering price of such Series of Subordinate Lien Bonds currently Outstanding.

“Subordinate Lien Commercial Paper Program” means a financing program of stated duration authorized by Supplemental Resolution, which authorizes the issuance from time to time of a Series of Subordinate Lien Commercial Paper Program Bonds of maximum principal amount Outstanding at any one time, each of which matures over a period of not exceeding 270 days, and the issuance of additional Subordinate Lien Commercial Paper Program Bonds from time to time to retire Outstanding Subordinate Lien Commercial Paper Program Bonds.

“Subordinate Lien Commercial Paper Program Bonds” means any Series of Subordinate Lien Bonds issued and Outstanding pursuant to a Subordinate Lien Commercial Paper Program, other than Subordinate Lien Unissued Commercial Paper Program Bonds.

“Subordinate Lien Completion Bonds” means Subordinate Lien Bonds issued pursuant to Section 2.03 hereof.

“Subordinate Lien Maximum Aggregate Annual Debt Service” means, at the time of computation, the greatest amount of Subordinate Lien Aggregate Annual Debt Service payable on all Subordinate Lien Bonds of a Series Outstanding in the then current or any future Fiscal Year.

“Subordinate Lien Refunding Bonds” means Subordinate Lien Bonds issued pursuant to Section 2.04 hereof.

“Subordinate Lien Unissued Subordinate Lien Commercial Paper Program Bonds” means the Subordinate Lien Commercial Paper Program Bonds which are within the maximum principal amount authorized by Supplemental Subordinate Lien Resolution as part of a Subordinate Lien Commercial Paper Program, but which have not yet been authenticated and delivered as part of the Subordinate Lien Commercial Paper Program.

“Supplemental Subordinate Lien Resolution” means any resolution adopted under and pursuant to Article VI hereof providing for the issuance of a Series of Subordinate Lien Bonds or amending or supplementing this Resolution as originally enacted or as theretofore amended and supplemented in accordance with said section.

“Support Agreement” means any agreement entered into by the Authority which provides for a Support Facility, and any and all modifications, alterations, amendments and supplements thereto.

“Support Facility” means any instrument, contract or agreement entered into or obtained in connection with an issue of Subordinate Lien Bonds such as a letter of credit, a committed line of credit, insurance policy, surety bond or standby bond purchase agreement, or any combination of the foregoing, and issued by a bank or banks, other financial institution or institutions, or any combination of the foregoing, which Support Facility provides for the payment of (i) the purchase price equal to the principal of and accrued interest on Subordinate Lien Bonds delivered to the Remarketing Agent or any depository, tender agent or other party pursuant to a Remarketing Agreement or Supplemental Subordinate Lien Resolution and discount, if any, incurred in remarketing such Subordinate Lien Bonds, and/or (ii) principal of and interest on all Subordinate Lien Bonds becoming due and payable during the term thereof.

“Trustee” means Zions First National Bank (as successor in interest to National Bank of Arizona), a national banking association duly organized and existing under the laws of the United States of America and presently having its designated corporate trust office in Los Angeles, California, in its capacity as Trustee under this Resolution, and its successors or assigns, and any successor as Trustee under this Resolution.

“Variable Rate Subordinate Lien Bonds” means any Subordinate Lien Bonds issued bearing interest at a rate per annum subject to adjustment from time to time pursuant to the terms thereof and calculated in a manner which precludes the actual rate for the entire term of such debt from being ascertainable in advance. For the purposes of this definition, Subordinate

Lien Bonds shall not be considered to be Variable Rate Subordinate Lien Bonds upon the establishment of or conversion of the rate of interest thereon to a fixed interest rate.

Whenever in this Resolution any governmental unit, including the Authority, or any board, officer, director or department of a governmental unit, including the Board, is defined or referred to, such definition or reference shall be deemed to include the governmental unit or board, officer, agency, commission, body or department succeeding to or in whom or which is vested, the functions, rights, powers, duties and obligations of such governmental unit, board, officer, director or department, as the case may be, encompassed by this Resolution.

Unless the context shall clearly indicate otherwise, in this Resolution (i) words importing persons include firms, partnerships, associations, corporations (public and private), public bodies and natural persons, and also include executors, administrators, trustees, receivers or other representatives; and (ii) the terms “herein”, “hereunder”, “hereby”, “hereto”, “hereof”, and any similar terms, refer to this Resolution as a whole and not to any particular section or subdivision hereof.

Unless the context shall clearly indicate otherwise, in this Resolution (for purposes of this paragraph, not including any Supplemental Subordinate Lien Resolution) (i) references to sections and other subdivisions, whether by number or letter or otherwise, are to the respective or corresponding sections and subdivisions of this Resolution, as such sections or subdivisions may be amended from time to time, (ii) the term “heretofore” means before the time of effectiveness of this Resolution; (iii) the term “now” means at the time of effectiveness of this Resolution; and (iv) the term “hereafter” means after the time of effectiveness of this Resolution.

Unless the facts shall then be otherwise, all computations required for the purposes of this Resolution shall be made on the assumptions that: (i) the principal of and interest on all Subordinate Lien Bonds shall be paid as and when the same become due; (ii) all credits required by any Supplemental Subordinate Lien Resolution to be made to the Term Bond Principal Account in the Subordinate Lien Bond Fund shall be made in the amounts and at the times required by such Supplemental Subordinate Lien Resolution; and (iii) all Subordinate Lien Bonds required by any Supplemental Subordinate Lien Resolution to be redeemed from monies credited to the Term Bond Principal Account in the Subordinate Lien Bond Fund shall be redeemed on the respective dates and in the respective amounts on such dates as required by the provisions of such Supplemental Subordinate Lien Resolution.

ARTICLE II

AUTHORIZATION OF SUBORDINATE LIEN REVENUE BONDS

SECTION 2.01. Authorization of Subordinate Lien Bonds; Source of Payment Thereof; Pledges to and Liens For Such Payment. In accordance with and as permitted by Section 2.05 of the Senior Lien Bond Resolution, there is hereby established and created under this Resolution an issue of bonds (herein defined and referred to as the “Subordinate Lien Bonds”) of the Authority, to be known and designated as “Subordinate Lien Airport Revenue Bonds”. The Subordinate Lien Bonds may be issued hereunder in Series from time to time as hereinafter

provided in this Resolution, in order to accomplish any purpose of the Authority. Subject to the provisions of Sections 2.02 and 2.03 hereof, the aggregate principal amount of Subordinate Lien Bonds which may be issued hereunder and secured hereby and be Outstanding at any time is not limited as to amount, except as may otherwise hereafter be provided by law. The Subordinate Lien Bonds, including principal thereof and interest and premium, if any, thereon, shall be equally and ratably secured by a pledge of and lien upon, and the Authority does hereby pledge, the Net Revenues of the Authority junior and inferior to the pledge and lien on the Senior Lien Bonds under the Senior Lien Bond Resolution. Payment of the Subordinate Lien Bonds shall be subject to the prior payment from Net Revenues and the senior and superior liens, pledges and charges thereon of the Senior Lien Bonds and the terms and provisions of the Senior Lien Bond Resolution. The foregoing pledges and liens shall be valid and binding from the time of the delivery of and payment for the first Series of Subordinate Lien Bonds issued hereunder, and the monies representing the Net Revenues shall thereupon be immediately subject to such pledge and lien upon receipt thereof by the Authority or a Paying Agent without any physical delivery or further act. The Subordinate Lien Bonds shall not in any manner or to any extent constitute or be a charge upon any monies or property of the Authority not specifically pledged thereto by this Resolution, or constitute or be an obligation of the City of Tucson or of any municipality or political subdivision of the State of Arizona other than the Authority. This Resolution shall constitute a "Security Agreement" with respect to the property pledged hereunder which is within the purview of the Arizona Uniform Commercial Code.

The covenants and agreements herein set forth to be performed by the Authority shall be for the equal and proportionate benefit, security and protection of all Holders of the Subordinate Lien Bonds without preference, priority or distinction as to payment or security or otherwise of any of the Subordinate Lien Bonds over any of the others for any reason or cause whatsoever (except as to the maturity thereof or any mandatory redemption thereof or as may otherwise be expressly provided therein or herein), and all Subordinate Lien Bonds shall be secured equally and ratably without discrimination or preference whatsoever.

The Authority expressly reserves the right to issue additional Senior Lien Bonds under the Senior Lien Bond Resolution at any time subsequent to the issuance of Subordinate Lien Bonds hereunder, which additional Senior Lien Bonds shall be secured senior and superior to the liens, pledges and charges on Subordinate Lien Bonds issued hereunder.

Subordinate Lien Bonds may be authorized in one or more Series by a Supplemental Subordinate Lien Resolution or Supplemental Subordinate Lien Resolutions of the Board adopted subsequent hereto. Each Supplemental Subordinate Lien Resolution authorizing the issuance of a Series of Subordinate Lien Bonds shall, in addition to the title "Subordinate Lien Airport Revenue Bonds", designate such Subordinate Lien Bonds by other identifying terms and an appropriate Series designation and shall also specify: (a) the authorized principal amount of such Series of Subordinate Lien Bonds; (b) the purposes for which Subordinate Lien Bonds of such Series are being issued; (c) the date, maturity date or dates and the Interest Payment Dates of the Subordinate Lien Bonds of said Series with interest being payable on said Subordinate Lien Bonds at the times and in the manner provided in the Supplemental Subordinate Lien Resolution providing for the issuance thereof; (d) the interest rate or rates, or the manner of determining such rates; (e) the denominations and manner of numbering the Subordinate Lien Bonds of such Series; (f) whether such Subordinate Lien Bonds will be issued

in coupon form with or without privilege of registration or in fully registered form or both; and the privileges, if any, of convertibility from one form to another, and the place or places of such registration and conversion; (g) the redemption premium or premiums, and the redemption price or prices, if any, to be paid upon the redemption of the Subordinate Lien Bonds of such Series; the period or periods, if any, during which such premiums or prices shall be payable; and the terms and conditions, if any, of such redemption; (h) the purchase price or prices, if any, to be paid upon the tender of the Subordinate Lien Bonds of such Series; the period or periods, if any, during which such Subordinate Lien Bonds may be tendered; and the terms and conditions, if any, of such tender; (i) if any of the Subordinate Lien Bonds of said Series are issued in the form customarily known as “term bonds”, the amount and due dates of each sinking fund installment payment for the Subordinate Lien Bonds of such Series (and the Term Bond Principal Account in the Subordinate Lien Bond Fund shall constitute such sinking fund, anything in such Supplemental Subordinate Lien Resolution to the contrary notwithstanding), the date or dates upon which and redemption price or prices at which the said Subordinate Lien Bonds may be redeemed from such installments; and the manner and procedure of applying such installments to the redemption of such Subordinate Lien Bonds; (j) the place or places of payment of such Subordinate Lien Bonds and interest thereon; (k) the provisions for the sale or other disposition of the Subordinate Lien Bonds of such Series and the use, application and investment, if any, of the proceeds of such sale or other disposition, and which use, application and investment shall not be inconsistent or in conflict with the provisions hereof, including any deposits to a Construction Interest Account or a Subordinate Lien Bond Reserve Account; (l) any other provisions which may be required to be inserted therein by other provisions of this Resolution; and (m) any other provision not inconsistent or in conflict with the provisions of this Resolution.

No Holder of a Subordinate Lien Bond shall be required to see that the monies derived from such Subordinate Lien Bond are applied to the purpose or purposes for which the Subordinate Lien Bond is issued. The validity of the Subordinate Lien Bonds shall neither be dependent upon or affected by the validity or regularity of any proceedings or contracts relating to the acquisition, purchase, construction, reconstruction, restoration, addition, expansion, improvement, betterment, extension, renewal or replacement to the Airport System, nor by the use and application of the proceeds of the Subordinate Lien Bonds.

SECTION 2.02. Authorization of Additional Subordinate Lien Bonds Hereunder. For the purpose of paying Project Costs of additions, expansions and improvements to the Airport System, there is hereby authorized to be issued, and shall be issued, hereunder one or more Series of Subordinate Lien Bonds in such aggregate principal amount as shall be set forth in the Supplemental Subordinate Lien Resolution providing for the issuance of such Subordinate Lien Bonds, to be adopted hereafter pursuant to and in accordance with the provisions of Section 2.01 hereof.

Subsequent to the issuance of the first Series of Subordinate Lien Bonds hereunder, the Authority may issue hereunder at one time or from time to time an additional Series of Subordinate Lien Bonds (herein defined and referred to as “Additional Subordinate Lien Bonds”) by means of a Supplemental Subordinate Lien Resolution or Supplemental Subordinate Lien Resolutions, adopted pursuant to and in accordance with the provisions of Section 2.01 hereof, but only upon compliance with the following conditions:

(1) The Designated Financial Officer shall have found and determined that no Event of Default (as defined in Section 7.01 hereof) exists hereunder and no Event of Default (as defined in Section 7.01 of the Senior Lien Bond Resolution) exists under the Senior Lien Bond Resolution; and

(2) (2) Either (i) the Designated Financial Officer shall have certified: (A) that based on audited financial statements of the Authority for the most recently completed Fiscal Year, the Net Revenues for such Fiscal Year, or (B) that the Net Revenues for any 12 consecutive months out of the most recent 24 calendar months preceding the issuance of such additional Series of Subordinate Lien Bonds, after deducting Senior Lien Aggregate Annual Debt Service, together with the Coverage Transfer Amount and the total amount of PFC Revenues and federal or state grants or other monies pledged as additional security for payment of Subordinate Lien Bonds applied in such Fiscal Year or in such 12-month period, as applicable, to the payment of Debt Service on Subordinate Lien Bonds Outstanding, but not in excess of the amount of PFC Revenues and such federal or state grants or other monies so pledged as additional security on Subordinate Lien Bonds, will equal at least one hundred ten percent (110%) of Subordinate Lien Maximum Aggregate Annual Debt Service on all Subordinate Lien Bonds Outstanding and the Subordinate Lien Bonds of the Series then proposed to be issued; or (ii) an Airport Consultant shall have certified that estimated Net Revenues, after deducting Senior Lien Aggregate Annual Debt Service, to be derived in each of the three full Fiscal Years following the Fiscal Year in which the Authority estimates the properties included or to be included in the Airport System which are to be financed by the issuance of such Additional Subordinate Lien Bonds will be placed in continuous service or in commercial operation, or amounts credited to a Construction Interest Account in the Construction Fund are expended, whichever is earlier, or Subordinate Lien Refunding Bonds are issued, together with the Coverage Transfer Amount and the total amount of PFC Revenues and federal or state grants or other monies pledged as additional security for payment of Subordinate Lien Bonds to be applied in such Fiscal Years to the payment of Debt Service on Subordinate Lien Bonds Outstanding, but not in excess of the amount of PFC Revenues and such federal or state grants or other monies so pledged as additional security on Subordinate Lien Bonds, will equal at least one hundred ten percent (110%) of Subordinate Lien Aggregate Annual Debt Service for the comparable Fiscal Years on all Subordinate Lien Bonds Outstanding and the Subordinate Lien Bonds of the Series then proposed to be issued.

For purposes of this subsection (2), the Coverage Transfer Amount taken into account shall not exceed (i) for purposes of clause 2(i) above, ten percent (10%) of Subordinate Lien Maximum Aggregate Annual Debt Service on Subordinate Lien Bonds Outstanding and the Subordinate Lien Bonds of the Series then proposed to be issued, and (ii) for purposes of clause 2(ii) above, for each Fiscal Year being compared, ten percent (10%) of Subordinate Lien Aggregate Annual Debt Service for such Fiscal Year on Subordinate Lien Bonds Outstanding and the Subordinate Lien Bonds of the Series then proposed to be issued.

The Supplemental Subordinate Lien Resolution authorizing the issuance of such Series of Additional Subordinate Lien Bonds shall provide for the disposition of the proceeds thereof.

SECTION 2.03. Subordinate Lien Completion Bonds. Without complying with the preceding provisions of paragraph (2) of Section 2.02, the Authority may at any time and from time to time issue in accordance with the provisions of this paragraph one or more Series of Additional Subordinate Lien Bonds hereunder by means of a Supplemental Subordinate Lien Resolution adopted pursuant to and in accordance with the provisions of Section 2.01 hereof, for the purpose of completing any project specified and described in such Supplemental Subordinate Lien Resolution and for which project Subordinate Lien Bonds have been previously issued provided the principal amount of Subordinate Lien Completion Bonds issued pursuant to this section shall not exceed fifteen (15%) of the principal amount of Subordinate Lien Bonds issued to finance such project. Prior to the issuance of any Series of such Additional Subordinate Lien Bonds the Authority must, in addition to meeting all of the requirements contained in paragraph (1) of Section 2.02, find and determine that the issuance of such Additional Subordinate Lien Bonds is necessary to provide funds for the completion of the project.

SECTION 2.04. Subordinate Lien Refunding Bonds. The Authority may at any time and from time to time issue one or more Series of Subordinate Lien Bonds (herein defined and referred to as “Subordinate Lien Refunding Bonds”) hereunder by means of a Supplemental Subordinate Lien Resolution adopted pursuant to and in accordance with the provisions of Section 2.01 hereof upon compliance with the provisions of Section 2.02; provided the Authority need not comply with the provisions of paragraph (2) of Section 2.02 with respect to Subordinate Lien Refunding Bonds issued for the purpose of (a) refunding at their maturity, or at any time within one year prior to their maturity, any of the then Outstanding Subordinate Lien Bonds or Senior Lien Bonds for the payment of which sufficient funds are not available, and any Subordinate Lien Refunding Bonds for such purpose shall mature, or be subject to mandatory redemption from mandatory credits to the Term Bond Principal Account in the Subordinate Lien Bond Fund, which mandatory credits shall commence, in a year later than the latest stated maturity date of any Subordinate Lien Bond or Senior Lien Bonds then Outstanding which shall remain Outstanding after the completion of such refunding, or (b) refunding Subordinate Lien Bonds or Senior Lien Bonds, provided that the Subordinate Lien Maximum Annual Debt Service in any Fiscal Year on the Refunding Subordinate Lien Bonds proposed to be issued does not exceed the Debt Service in any Fiscal Year on the Subordinate Lien Bonds or Senior Lien Bonds being refunded by more than ten percent (10%).

Subordinate Lien Bonds of any one or more Series and bonds of any series of Senior Lien Bonds may be refunded by the same Series of Subordinate Lien Refunding Bonds, which Subordinate Lien Bonds or Senior Lien Bonds to be refunded shall be specified in the Supplemental Subordinate Lien Resolution authorizing the Subordinate Lien Refunding Bonds, and the principal amount of such Subordinate Lien Refunding Bonds may include amounts necessary to pay the principal of the Subordinate Lien Bonds or Senior Lien Bonds to be refunded, interest thereon to the date of redemption thereof, any premium payable thereon upon such redemption. The proceeds of the Subordinate Lien Refunding Bonds shall be held and applied in such manner, consistent with the provisions of Section 9.01 hereof with respect to Subordinate Lien Bonds being refunded or Section 9.01 of the Senior Lien Bond Resolution with respect to Senior Lien Bonds being refunded, as is provided in the Supplemental Subordinate Lien Resolution authorizing such Subordinate Lien Refunding Bonds so that upon the delivery of such Subordinate Lien Refunding Bonds the Subordinate Lien Bonds or Senior Lien Bonds to be refunded thereby shall no longer be deemed to be Outstanding hereunder in

accordance with the provisions of said Section 9.01 or the Senior Lien Bonds to be refunded thereby shall no longer be deemed to be Outstanding under the Senior Lien Bond Resolution in accordance with Section 9.01 thereof.

The provisions of this section shall not be applicable to the refunding at one time of all the Subordinate Lien Bonds then Outstanding.

SECTION 2.05. Junior Subordinate Lien Obligations and Other Obligations. Nothing contained in this Resolution shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Authority from issuing or incurring Junior Subordinate Lien Obligations.

Subject to any other contractual obligations of the Authority, nothing contained in this Resolution shall prevent the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, other than Subordinate Lien Bonds, for the purpose of providing proceeds to finance any Airport Purpose payable from and secured by a pledge of and lien on those revenues, proceeds grants or other sources specifically excluded from the definition of Revenues and all income or revenues derived with respect to any Airport Purpose so financed shall constitute Revenues and be paid into the Revenue Fund.

SECTION 2.06. Variable Rate Subordinate Lien Bonds and Subordinate Lien Commercial Paper Program Bonds. Nothing in this Resolution shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Authority from issuing Variable Rate Subordinate Lien Bonds or Subordinate Lien Commercial Paper Program Bonds. The Supplemental Subordinate Lien Resolution or Resolutions providing for the issuance of such Variable Rate Subordinate Lien Bonds or such Subordinate Lien Commercial Paper Program Bonds may provide for the Authority to obtain Support Facilities or alternate Support Facilities and enter into Support Agreements in connection therewith, enter into Remarketing Agreements and dealer and issuing and paying agent agreements and appoint Remarketing Agents or Commercial Paper Dealers and/or issuing and paying agents in accordance with standards specified in the Supplemental Subordinate Lien Resolution, provide for interest to be payable or redetermined on such dates and to accrue over such periods as set forth in such Supplemental Subordinate Lien Resolution, provide for the determination or establishment of rates of interest based on determinations of a Remarketing Agent, a Commercial Paper Dealer, market auction procedures or the establishment, use, composition, adjustment and change of interest indices or the establishment and use of alternate interest indices or the establishment of a fixed interest rate or rates, provide for an Interest Increment Amount, provide for the establishment of special funds and accounts in connection with the issuance of such Variable Rate Subordinate Lien Bonds or Subordinate Lien Commercial Paper Program Bonds, provide for special redemption or purchase provisions for such Variable Rate Subordinate Lien Bonds or Subordinate Lien Commercial Paper Program Bonds and establish notice provisions in connection with the purchase, redemption, delivery or tender of such Variable Rate Subordinate Lien Bonds or Subordinate Lien Commercial Paper Program Bonds.

SECTION 2.07. Passenger Facility Charges; Other Additional Security.

(a) Notwithstanding anything herein to the contrary, the Authority may by Supplemental Subordinate Lien Resolution, upon complying with the applicable provisions of Section 2.02

hereof (i) grant as additional security a pledge of and lien on, and a security interest for the benefit of Subordinate Lien Bondholders in, all or a portion of the PFC Revenues to all or a portion of a particular Series of Subordinate Lien Bonds (hereinafter referred to as “PFC Bonds”) issued hereunder, and may (ii) provide that, upon compliance with such terms and provisions as may be set forth in the Supplemental Subordinate Lien Resolution providing for the issuance thereof, such Series of PFC Bonds shall be secured solely by a pledge of and lien on such PFC Revenues. In the event the Supplemental Subordinate Lien Resolution providing for the issuance of a Series of PFC Bonds contains provisions as set forth in (a) (ii), the Authority shall set forth in a separate resolution (hereinafter referred to as a “PFC Resolution”) adopted prior to the time such Series of PFC Bonds is issued the terms and provisions of which shall apply to such Series of PFC Bonds at such time as such Subordinate Lien Bonds are no longer secured by the Net Revenues.

(1) In the event the Authority issues one or more Series of PFC Bonds, the following provisions shall apply so long as such Series of PFC Bonds are Outstanding hereunder:

(i) PFC Revenues shall be segregated in a separate fund (hereinafter referred to as the “PFC Revenue Fund”) and shall be disbursed to the accounts and in the order of priority as set forth below:

(A) at the times provided in Section 4.02 hereof, to an interest account or accounts in the Subordinate Lien Bond Fund to the extent necessary to pay interest on such Series of PFC Bonds;

(B) at the times provided in Section 4.02 hereof, to a principal account or accounts in the Subordinate Lien Bond Fund to the extent necessary to pay principal of such Series of PFC Bonds; and

(C) at the times provided in Section 4.03 hereof, to an account or accounts in the Subordinate Lien Bond Reserve Fund to the extent necessary to maintain such account in amount established in the Supplemental Subordinate Lien Resolution providing for the issuance of such Series of PFC Bonds.

To the extent PFC Revenues in any month are in excess of the amounts required to be deposited in the Subordinate Lien Bond Fund, such PFC Revenues may be transferred to and deposited in a separate fund or account established under the PFC Resolution, if any, or may be applied to any other lawful purpose.

(ii) PFC Revenues consisting of investment earnings shall be deposited in the PFC Revenue Fund and applied in the same manner as all other PFC Revenues on deposit therein. Investment earnings on the proceeds of a Series of PFC Bonds issued in accordance with this Section 2.07, (a) on deposit in the Construction Fund shall be retained therein and applied to the same purposes as the proceeds of such Series of PFC Bonds and after completion of any project financed with said Series of PFC Bonds shall be deposited in the PFC Revenue Fund, and (b) on deposit in an account in the Subordinate

Lien Bond Reserve Fund shall be deposited in the Airport Improvement Fund. Notwithstanding the provisions of the penultimate paragraph of Section 3.01 hereof, all excess proceeds of any Series of PFC Bonds issued in accordance with this Section 2.07, whether in the Construction Fund or the Subordinate Lien Bond Reserve Fund, shall be deposited in the PFC Revenue Fund, or applied to the purposes prescribed in the penultimate paragraph in Section 3.01 hereof to the extent permitted by law.

(iii) To the extent there is any deficiency in any account referred to in (a) (1) (i) above, PFC Revenues, to the extent pledged as additional security and on deposit in the PFC Revenue Fund shall be applied to make up any such deficiency in any such account to the extent available, and as provided herein, in the event such PFC Revenues on deposit in the PFC Revenue Fund are insufficient to make up such deficiency, Net Revenues shall be credited to said account in an amount necessary, together with the PFC Revenues on credit therein, to provide for the payment of the PFC Bonds. To the extent Net Revenues are credited to any account to provide for the payment of the PFC Bonds and PFC Revenues, to the extent pledged as additional security, subsequently become available prior to the expenditure of such Net Revenues, such Net Revenues shall be immediately restored to the Revenue Fund from such PFC Revenues.

(2) At such time as such Series of PFC Bonds is no longer secured by the Net Revenues, such PFC Bonds shall be deemed to be no longer Outstanding hereunder and shall be outstanding solely for the purpose of the PFC Resolution. Any PFC Revenues on deposit in the PFC Revenue Fund and proceeds of the Series of PFC Bonds, whether on deposit in the Construction Fund or Subordinate Lien Bond Reserve Fund, held hereunder shall be transferred to and applied in the manner provided in the PFC Resolution.

(3) In the event one or more Supplemental Subordinate Lien Resolutions providing for the issuance of PFC Bonds grants as additional security a pledge of and lien on, and a security interest for the benefit of such PFC Bonds in, PFC Revenues as provided in this section, so long as such PFC Bonds are entitled to the pledge of Net Revenues provided in this Resolution, all such PFC Bonds shall be secured by a pledge of, and lien upon, the PFC Revenues equally and ratably to the extent of the pledge and lien on a particular Series of PFC Bonds.

(4) Nothing in this section shall prohibit or be deemed to prohibit the issuance of bonds, notes, certificates, warrants or other evidences of indebtedness secured solely by PFC Revenues.

(b) Notwithstanding anything herein to the contrary, the Authority may by Supplemental Subordinate Lien Resolution, upon complying with the applicable provisions of Section 2.02 hereof, grant as additional security a pledge of and lien on, and a security interest in for the benefit of Subordinate Lien Bondholders, all or a portion of federal or state grants or other monies available to the Authority for such purpose, to pay and secure all or a portion of the principal of and interest on a particular Series of Subordinate Lien Bonds issued hereunder.

SECTION 2.08. Hedge, Support and Other Financial Agreements. Nothing in this Resolution shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the

Authority from entering into Hedge Agreements, Support Agreements or other financial agreements under which payments (including but not limited to, fees, charges, expenses but excluding any termination, indemnification or other payments intended to pay any person for loss of benefits under such agreement) are payable from Net Revenues and secured by a lien on and pledge of Net Revenues on a parity with the lien on and pledge of the Net Revenues created for the payment and security of the Subordinate Lien Bonds; provided such payments shall meet the requirements of Section 2.02 hereof; and provided, further, that Integrated Swap Agreement Payments shall be treated as payment of interest on Subordinate Lien Bonds. In the event any such payments, other than payments constituting principal of, premium, if any, and interest on, Subordinate Lien Bonds, shall be secured by a lien on and pledge of Net Revenues on a parity with the lien on and pledge of the Net Revenues created for the payment and security of the Subordinate Lien Bonds, a separate account shall be established in the Subordinate Lien Bond Fund for the payment thereof and payments to such account shall be made ratably from Net Revenues at the time Net Revenues are disbursed to the other accounts in the Subordinate Lien Bond Fund pursuant to Section 4.02 hereof. For the purposes of Sections 2.02, 5.03, and for any other provision of this Resolution as otherwise appropriate, any obligation to make payments which are payable from Net Revenues and secured by a lien on and pledge of Net Revenues on a parity with the lien on and pledge of the Net Revenues created for the payment and security of the Subordinate Lien Bonds as provided in this Section 2.08 shall be deemed and treated as a “Subordinate Lien Bond” under this Resolution.

SECTION 2.09. Medium of Payment of Principal, Interest and Premium of Subordinate Lien Bonds; Interest on Subordinate Lien Bonds; Cancellation and Destruction of Subordinate Lien Bonds. The Subordinate Lien Bonds shall be payable as to interest, principal and premium, if any, in any coin or currency of the United States of America which at the time of payment thereof is legal tender for public and private debts. The principal of and premium, if any, on any Subordinate Lien Bond shall be payable upon maturity or redemption to the Holder thereof upon surrender thereof at the principal office of the Authority, or the Paying Agent appointed therefor, as determined in the Supplemental Subordinate Lien Resolution authorizing such Subordinate Lien Bond. The interest on any Subordinate Lien Bond when due and payable shall be paid to the Holder by check or draft mailed to the Holder thereof at his address as shown on the books of registry maintained pursuant to Section 2.11 hereof; provided that with respect to any particular Series of Subordinate Lien Bonds, the Supplemental Subordinate Lien Resolution authorizing the issuance of such Series of Subordinate Lien Bonds, may provide alternative methods or procedures for the payment of interest.

All Subordinate Lien Bonds upon the payment thereof at maturity or upon redemption shall, as directed by the Authority, either be cancelled by a Paying Agent therefor and such cancelled Subordinate Lien Bonds and a certificate evidencing such cancellation transmitted to the Authority or be destroyed by a Paying Agent therefor and a certificate evidencing such destruction transmitted to the Authority.

SECTION 2.10. Redemption or Purchase of Subordinate Lien Bonds. The Subordinate Lien Bonds of a Series may be subject to purchase or redemption at the option of the registered owners thereof and mandatory purchase and redemption prior to the stated maturity thereof, upon such terms and conditions and at such dates and redemption prices or premiums or purchase price as shall be set forth in the Supplemental Subordinate Lien Resolution authorizing the issuance of

such Series of Subordinate Lien Bonds. Unless or except as may otherwise be provided in the Supplemental Subordinate Lien Resolution providing for the issuance of such Subordinate Lien Bonds:

(1) Notice of redemption of any Subordinate Lien Bonds shall state: the designation, date and maturities of the Subordinate Lien Bonds called for redemption; the redemption price or premium, if any, payable upon such redemption; the date of redemption; if less than all the Subordinate Lien Bonds then Outstanding of the Series of Subordinate Lien Bonds of which the Subordinate Lien Bonds called for redemption are a part are called for redemption, the numbers of the Subordinate Lien Bonds called for redemption; that the interest on the Subordinate Lien Bonds, or on the principal amount thereof to be redeemed, designated for redemption in such notice shall cease to accrue and be payable from and after such redemption date; and that on said redemption date there will become due and payable on each said Subordinate Lien Bond the principal amount thereof to be redeemed, the then applicable redemption premium, if any, and the interest accrued on such principal amount to the redemption date.

(2) Each notice of redemption mailed to the Holder of a Subordinate Lien Bond to be redeemed shall, if less than the entire principal sum thereof is to be redeemed, also state the principal amount thereof to be redeemed and that such Subordinate Lien Bond must be surrendered in exchange for the payment of the principal amount thereof to be redeemed and the issuance of a new Subordinate Lien Bond equaling in principal amount that portion of the principal sum not to be redeemed of the Subordinate Lien Bond to be surrendered.

(3) Notice of the redemption thereof shall be mailed not less than thirty (30) days prior to the redemption date, by registered or certified mail, to the registered owner of such Subordinate Lien Bond at his address as it appears on the registration books.

(4) The Authority, at any time it shall call Subordinate Lien Bonds for redemption, shall mail a copy of the notice of redemption of the Subordinate Lien Bonds so called to the Registrar referred to in Section 2.10 hereof (if a Paying Agent) for each Series of Subordinate Lien Bonds of which such Subordinate Lien Bonds are a part at least forty-five days prior to the redemption date, or such shorter time as shall be acceptable to it.

(5) The Authority shall give notice of all redemption of Subordinate Lien Bonds, or shall cause such notice to be given in its name and on its behalf, and shall promptly notify the respective Paying Agents for the Subordinate Lien Bonds of the Series of Subordinate Lien Bonds called for redemption as to any redemption of the Subordinate Lien Bonds of such Series and as to the numbers of the Subordinate Lien Bonds called for redemption.

(6) Whenever provision is made for the selection by lot of Subordinate Lien Bonds to be redeemed, the particular Subordinate Lien Bonds to be redeemed shall be selected from among the Subordinate Lien Bonds then subject to redemption and

selection by lot for such redemption, such selection to be made by the Authority in any manner which it deems fair.

(7) In the event that only part of the principal sum of a Subordinate Lien Bond shall be called for redemption or prepaid, payment of the amount to be redeemed or prepaid shall be made only upon surrender of such Subordinate Lien Bond. Upon surrender of such Subordinate Lien Bond, the Authority shall execute and deliver, or cause to be delivered, to the registered owner thereof, at the expense of the Authority, a new duly executed Subordinate Lien Bond or Subordinate Lien Bonds of authorized principal sums equal in aggregate principal amount to, and of the same Series, maturity and interest rate as, the unredeemed portion of the Subordinate Lien Bond surrendered.

If a Subordinate Lien Bond is subject by its terms to prior redemption and has been duly called for redemption and notice of the redemption thereof has been duly given as aforesaid and monies for the payment of the principal amount thereof to be redeemed, the applicable redemption premium, if any, which is payable upon such redemption and the interest to accrue on such principal amount to the redemption date, are held for the purpose of such payment by a Paying Agent for the Series of Subordinate Lien Bonds of which such Subordinate Lien Bond is one, then on the redemption date designated in such notice, such Subordinate Lien Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable at the principal amount to be redeemed and the applicable redemption premium, if any, thereon; interest on said Subordinate Lien Bond (or the principal amount thereof to be redeemed) so called for redemption shall cease to accrue.

Any notice of optional redemption may state that such redemption may be conditional upon the receipt by the Paying Agent for the Subordinate Lien Bonds of the Series proposed to be redeemed on the date fixed for redemption of monies sufficient to pay in full the redemption price of the Subordinate Lien Bonds proposed to be redeemed. If the notice contains such condition, and monies sufficient to pay in full the redemption price of the Subordinate Lien Bonds proposed to be redeemed shall not be received on or prior to the date fixed for redemption, such notice of redemption shall be null and void and of no force and effect, the Authority shall not redeem or be obligated to redeem any Subordinate Lien Bonds, and the Paying Agent at the Authority's direction shall give notice, in the same manner as notice of redemption is given, that monies sufficient to pay in full the redemption price of the Subordinate Lien Bonds proposed to be redeemed were not received on or prior to the date fixed for redemption and such redemption did not occur. In the event of the failure to redeem, all Subordinate Lien Bonds of a Series surrendered for redemption shall be promptly returned to the registered Holder or Holders by the Paying Agent for the Subordinate Lien Bonds of such Series.

With respect to Subordinate Lien Bonds subject to mandatory or optional purchase, provisions relating to notice, the effect of purchase and other matters relating to any Subordinate Lien Bonds shall be provided in the Supplemental Subordinate Lien Resolution providing for the issuance thereof.

All Subordinate Lien Bonds surrendered or redeemed pursuant to the provisions of this section, shall be cancelled.

The Authority may assign any duties imposed upon it by this section with respect to any Subordinate Lien Bond to a Paying Agent for the Series of Subordinate Lien Bonds of which such Subordinate Lien Bond is one or to the Trustee. In the event of such an assignment of the duties imposed upon the Authority by paragraph (6) above, the selection by lot of Subordinate Lien Bonds to be redeemed shall be made in any manner deemed fair by the Paying Agent to which such duty is assigned or the Trustee.

SECTION 2.11. Registration, Transfer, Exchange and Ownership of Subordinate Lien Bonds. The Authority will keep at its principal office, or will cause a Paying Agent for the Series of Subordinate Lien Bonds of which such Subordinate Lien Bond is one to keep at its principal office, sufficient books for the registration and transfer of the Subordinate Lien Bonds (the Authority or such Paying Agent, as the case may be, keeping such books being hereinafter referred to as the "Registrar"). The Authority may designate a Co-Registrar for a particular Series of Subordinate Lien Bonds in the Supplemental Subordinate Lien Resolution authorizing the issuance thereof and, in such event such Co-Registrar shall perform all of the functions and duties of the Registrar provided in this Resolution and such Supplemental Subordinate Lien Resolution. Such books, if not kept by the Authority itself, shall at all times be open to inspection by the Authority. The Registrar, upon presentation to it for such purpose shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, as hereinafter set forth, Subordinate Lien Bonds for which it serves as such Registrar.

Unless or except as may otherwise be provided in the Supplemental Subordinate Lien Resolution authorizing the issuance of a Series of Subordinate Lien Bonds, any Subordinate Lien Bond may, in accordance with its terms, be transferred upon the books of registry required pursuant to the provisions of this section to be kept therefor, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Subordinate Lien Bond, accompanied by delivery of a written instrument of transfer duly executed and in form satisfactory to the Registrar therefor. Whenever any Subordinate Lien Bond shall be surrendered for transfer, the Authority shall execute, and the Registrar therefor shall deliver or cause to be delivered, a new duly executed Subordinate Lien Bond or Subordinate Lien Bonds, of the same Series, interest rate and maturity and for a like aggregate principal sum. Unless or except as may otherwise be provided in the Supplemental Subordinate Lien Resolution authorizing the issuance of such Subordinate Lien Bonds, the Registrar may charge a sum not exceeding the actual cost thereof for each new Subordinate Lien Bond delivered upon any such transfer and shall require the payment by the Subordinate Lien Bondholder requesting such transfer of any tax or other governmental charges required to be paid with respect to such transfer. Unless otherwise provided in the Supplemental Subordinate Lien Resolution authorizing the issuance of such Series of Subordinate Lien Bonds, no transfer of a Subordinate Lien Bond shall be required to be made after the Record Date, nor during the forty-five (45) days next preceding the date fixed for redemption of Subordinate Lien Bonds of the Series of which such Subordinate Lien Bond is a part.

Unless otherwise provided in the Supplemental Subordinate Lien Resolution authorizing the issuance of such Series of Subordinate Lien Bonds, any Subordinate Lien Bond may be exchanged at the principal office of the Registrar therefor for a like aggregate principal amount of Subordinate Lien Bonds in authorized principal sums of the same Series, interest rate and maturity (or for a like aggregate principal amount of Subordinate Lien Bonds in other

authorized principal sums of the same Series, interest rate and maturity), and the Authority shall execute the Subordinate Lien Bond or Subordinate Lien Bonds to be delivered upon such exchange and the Registrar shall deliver the Subordinate Lien Bond or Subordinate Lien Bonds to be delivered upon such exchange. Unless or except as may otherwise be provided in the Supplemental Subordinate Lien Resolution authorizing the issuance of such Subordinate Lien Bonds, the Registrar may charge a sum not exceeding the actual cost thereof for each new Subordinate Lien Bond delivered upon any exchange (except in the case of an exchange of temporary Subordinate Lien Bonds for definitive Subordinate Lien Bonds, the first exchange of a Subordinate Lien Bond and such other free exchanges of Subordinate Lien Bonds as may be provided in the Supplemental Subordinate Lien Resolution authorizing their issuance, all of which exchanges shall be at the expense of the Authority). The Registrar shall require the payment by the Subordinate Lien Bondholder requesting such exchange of any tax or other governmental charges required to be paid with respect to such exchange. Unless otherwise provided in the Supplemental Subordinate Lien Resolution providing for the issuance of a Series of Subordinate Lien Bonds, no such exchange shall be required to be made after the Record Date, nor during the forty-five (45) days next preceding the date fixed for redemption of Subordinate Lien Bonds of the Series of which such Subordinate Lien Bond is a part.

All Subordinate Lien Bonds surrendered pursuant to this section shall be cancelled.

If so requested by the Holder of a Subordinate Lien Bond, any Registrar in lieu of delivering such Subordinate Lien Bond to such Holder as above provided, may mail the same to such Holder at his risk and expense.

The Authority and any Paying Agent hereunder and any other person may deem and treat the person in whose name any Subordinate Lien Bond shall at the time be registered on the books of registry kept therefor pursuant to this section, as the absolute owner of such Subordinate Lien Bond for all purposes whatsoever, including payment thereof, and neither the Authority nor any Paying Agent hereunder shall be affected by any notice to the contrary. The payment of or on account of principal to or upon the order of the person in whose name a Subordinate Lien Bond shall at the time be registered on said books of registry and the payment of interest to or upon the order of any person in whose name any Subordinate Lien Bond shall at the time be registered on said books of registry, shall be valid and effectual fully to satisfy and discharge all liability of the Authority and any Paying Agent upon such Subordinate Lien Bond to the extent of the sum or sums so paid.

SECTION 2.12. Execution and Authentication of Subordinate Lien Bonds. Unless and except as otherwise provided in a Supplemental Subordinate Lien Resolution authorizing the issuance of a Series of Subordinate Lien Bonds, the Subordinate Lien Bonds shall be executed in the name of the Authority by the manual or facsimile signature of the Chairman, or other authorized officer, of the Authority and the seal of the Authority (or a facsimile thereof) may be impressed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of the Secretary, or other authorized officer, of the Authority, or in such other manner as may be required or permitted by law. In case any one or more of the officers who shall have signed or sealed any of the Subordinate Lien Bonds shall cease to be such officer before the Subordinate Lien Bonds so signed and sealed shall have been authenticated and delivered by the Registrar therefor, such Subordinate Lien Bonds may, nevertheless, be authenticated and

delivered as herein provided, and may be issued as if the persons who signed or sealed such Subordinate Lien Bonds had not ceased to hold such offices. Any Subordinate Lien Bond of a Series may be signed and sealed on behalf of the Authority by such persons as at the time of the execution of such Subordinate Lien Bonds shall be duly authorized or hold the proper office in the Authority, although at the date borne by the Subordinate Lien Bonds of such Series such persons may not have been so authorized or have held such office.

Unless and except as otherwise provided in a Supplemental Subordinate Lien Resolution authorizing the issuance of a Series of Subordinate Lien Bonds, the Subordinate Lien Bonds of each Series shall bear thereon a certificate of authentication in such form as provided in the Supplemental Subordinate Lien Resolution authorizing the issuance of such Series of Subordinate Lien Bonds and executed manually by an authorized officer of the Registrar therefore as registration agent for the Authority. Unless and except as otherwise provided in a Supplemental Subordinate Lien Resolution authorizing the issuance of a Series of Subordinate Lien Bonds, only such Subordinate Lien Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under this Resolution and no Subordinate Lien Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by an authorized officer of the Registrar therefor. Any such certificate of the Registrar therefor upon any Subordinate Lien Bond executed on behalf of the Authority shall be conclusive evidence that the Subordinate Lien Bond so authenticated has been duly authenticated and delivered under this Resolution and the Holder of such Subordinate Lien Bond is entitled to the benefits and security of this Resolution.

In the event the Authority is acting as Paying Agent and Registrar for a Series of Subordinate Lien Bonds no authentication of Subordinate Lien Bonds of such Series shall be required.

SECTION 2.13. Mutilated, Lost, Stolen or Destroyed Subordinate Lien Bonds. In the event any Subordinate Lien Bond is mutilated, lost, stolen or destroyed, the Authority may execute and the Registrar therefor authenticate and deliver a new Subordinate Lien Bond of like Series, date, tenor, maturity and denomination as the Subordinate Lien Bond mutilated, lost, stolen or destroyed, provided that, in all cases there shall be first furnished to the Authority and the Registrar for such Series of Subordinate Lien Bonds indemnity and evidence of ownership of such Subordinate Lien Bond satisfactory to each of them, and in the case of any mutilated Subordinate Lien Bond, such mutilated Subordinate Lien Bond shall first be surrendered to the Authority or Registrar for the Series of which such Subordinate Lien Bond is one, and in the case of any lost, stolen or destroyed Subordinate Lien Bond, there shall be first furnished to the Authority and the Registrar for such Series of Subordinate Lien Bonds evidence of such loss, theft or destruction satisfactory to each of them. In the event any such mutilated, lost, stolen or destroyed Subordinate Lien Bond shall have matured, or would have matured within sixty days, or has been called for redemption and the redemption date has arrived or will arrive within sixty days, instead of issuing a substitute Subordinate Lien Bond the Authority upon being furnished with indemnity and evidence of mutilation, loss, theft or destruction, as aforesaid, may pay or direct the Paying Agent for such Series of Subordinate Lien Bonds to pay the same without surrender thereof. The Authority may charge the owner of such Subordinate Lien Bond with its reasonable fees and expenses in this connection. Any Subordinate Lien Bond issued under the provisions of this section shall be equally and proportionately entitled in accordance with its terms to the security

and benefits of this Resolution with the Subordinate Lien Bonds then Outstanding of the Series of Subordinate Lien Bonds of which such mutilated, lost, stolen or destroyed Subordinate Lien Bond was one. All mutilated Subordinate Lien Bonds surrendered pursuant to this section shall be cancelled.

SECTION 2.14. Temporary Subordinate Lien Bonds. Until the definitive Subordinate Lien Bonds of any Series are prepared, the Authority may execute, and, upon the request of the Authority, the Registrar therefor shall authenticate and deliver, in lieu of definitive Subordinate Lien Bonds but subject to the same provisions, limitations and conditions as the definitive Subordinate Lien Bonds, one or more temporary Subordinate Lien Bonds substantially of the tenor of the definitive Subordinate Lien Bonds in lieu of which such temporary Subordinate Lien Bond or Subordinate Lien Bonds are issued, and with such omissions, insertions and variations as may be appropriate to temporary Subordinate Lien Bonds. The Authority at its own expense shall prepare and execute and, upon the surrender of such temporary Subordinate Lien Bonds for exchange and the cancellation of such surrendered temporary Subordinate Lien Bonds, the Registrar therefor shall authenticate and, without charge to the Holder of such Subordinate Lien Bond, deliver in exchange therefor definitive Subordinate Lien Bonds of the same Series, date, tenor, aggregate principal amount and maturity as the temporary Subordinate Lien Bonds surrendered. Until so exchanged each temporary Subordinate Lien Bonds shall in all respects be equally and proportionately entitled in accordance with its terms to the same benefits and security of this Resolution as definitive Subordinate Lien Bonds authenticated and issued pursuant to this Resolution.

All temporary Subordinate Lien Bonds surrendered in exchange either for another temporary Subordinate Lien Bond or Subordinate Lien Bonds or for a definitive Subordinate Lien Bond or Subordinate Lien Bonds shall be forthwith cancelled by the Registrar.

SECTION 2.15. Book Entry. The Authority may provide in the Supplemental Subordinate Lien Resolution authorizing the issuance of a particular Series of Subordinate Lien Bonds that such Series shall be in book entry form and setting forth the terms and conditions in connection therewith. In the event that a Series of Subordinate Lien Bonds is issued in book-entry form the Authority may act as Paying Agent and Registrar in accordance with the provisions hereof and as determined in the Supplemental Subordinate Lien Resolution authorizing the issuance of such Series of Subordinate Lien Bonds.

ARTICLE III

CONSTRUCTION FUND

SECTION 3.01. Construction Fund and Accounts Therein. There is hereby created and established hereunder a separate special fund of the Authority, which fund shall be held and administered by the Authority hereunder and be designated the "Tucson Airport Authority Construction Fund" (herein defined and referred to as the "Construction Fund"). There are hereby created two accounts in the Construction Fund, one of which shall be known and designated as the "Construction Account" (hereinafter referred to as the "Construction Account") and the other of which shall be known and designated as the "Construction Interest Account (hereinafter referred to as the "Construction Interest Account").

There shall be deposited in the Construction Fund that amount of the proceeds of the first Series of Subordinate Lien Bonds issued hereunder for project purposes which, pursuant to the provisions of the Supplemental Subordinate Lien Resolution authorizing such Subordinate Lien Bonds, are to be used and applied to the payment of the Project Costs of additions, expansions and improvements to the Airport System. Of such amount so deposited, there shall be credited to the Construction Interest Account, the amount of interest on such Series of Subordinate Lien Bonds, if any, to be provided from the proceeds of such Series of Subordinate Lien Bonds as is specified in the Supplemental Subordinate Lien Resolution authorizing the issuance, thereof, and the remainder shall be credited to the Construction Account.

In connection with the issuance of a Series of Additional Subordinate Lien Bonds hereunder for the purposes of paying Project Costs of airport projects constituting an Airport Purpose, the Authority shall in the Supplemental Subordinate Lien Resolution authorizing such Series of Additional Subordinate Lien Bonds create a Construction Account in the Construction Fund from which such Project Costs shall be paid, and shall provide for a credit to such account of that amount of the proceeds of such Series of Additional Subordinate Lien Bonds which are to be applied to the payment of such Project Costs. In the event that the interest on such Series of Additional Subordinate Lien Bonds is to be provided from the proceeds of such Subordinate Lien Bonds, the Authority in the Supplemental Subordinate Lien Resolution authorizing such Series of Additional Subordinate Lien Bonds shall specify the amount of such proceeds to be applied to the payment of such interest or the formula for determining such amount, and shall establish a Construction Interest Account in the Construction Fund, to which shall be credited the amount of the proceeds so specified.

The monies on deposit from time to time in a Construction Account or Construction Interest Account in the Construction Fund shall be held under and subject to this Resolution; shall be subject to the liens, pledges, charges, assignments and trusts created hereby for the security and benefit of the Holders of the Series of Subordinate Lien Bonds for which such Accounts were created; and shall be used and applied solely to the payment of Project Costs of the Airport System, in accordance with the remaining provisions of this section.

For the purpose of this Resolution: (i) the word “construction” shall include acquisition, construction, reconstruction, purchase, establishment, development, expansion, remodeling, renovating, adding to or improving; (ii) the word “acquisition” shall include the remodeling or renovation of buildings and facilities acquired; and (iii) the term “Project Costs” shall include any and all of the following pertaining to the construction (as above defined) of properties included or to be included in the Airport System:

- (a) the cost of acquiring any building or facility and the site thereof;
- (b) costs of acquiring such land, rights, rights of way, leases, easements or other interest in land or other properties (real, personal or mixed) as may be deemed necessary or convenient by the Authority for the construction or operation of the Airport System, including costs of options and partial payments, escrow deposits, preliminary and final awards or judgments and settlements or compromises, with respect to the foregoing; costs of reclaiming land; costs of dredging or filling incurred in the creation of land; and site preparation, including the costs of demolishing, removing or relocating any building or

facility and the costs of any lands to which such building or facility may be removed or relocated;

(c) costs of acquiring any rights, interests or franchises deemed necessary or convenient by the Authority for the construction or operation of the Airport System;

(d) costs of labor, services, material, supplies, machinery, equipment and apparatus, including payments to contractors, builders and materialmen in connection therewith, and of restoration of property damaged or destroyed in connection with construction work;

(e) costs of installation of utility services or connections thereto or relocation thereof;

(f) costs and expenses of all preliminary work necessary or incidental to construction;

(g) costs and expenses of planning, engineering and other studies, architectural drawings, surveys, tests and specifications, whether preliminary or otherwise; and costs of other engineering and architectural and other consulting services;

(h) costs of supervision and inspection;

(i) costs of builders' risk or other insurance on the buildings and facilities being constructed, or a reasonably allocated share thereof;

(j) costs of indemnity and fidelity bonds and expenses of administration properly chargeable to such construction;

(k) costs and expenses of financing, including Trustee's, Paying Agents' and Remarketing Agent's fees and expenses during such period, if any, as shall be determined by the Authority; and costs incurred in issuing the Subordinate Lien Bonds, including bond insurance premiums, printing, engraving and advertising; and other similar costs;

(l) costs of the initial furnishings of any building or structure;

(m) costs of publication, advertising, filing and recording;

(n) taxes and assessments;

(o) expenses incurred in enforcing any remedy against a contractor or subcontractor in respect of any default;

(p) costs of economic feasibility reports whether preliminary or otherwise; fees, costs and expenses of appraising, printing, advice, accounting and fiscal services, airport consultants, financial consultants, attorneys (including bond counsel), clerical help and other independent contractors, agents and employees;

(q) the payment and discharge of the principal of and interest and premium, if any, on any interim or temporary construction financing or loans, including the reimbursement to the Authority of monies advanced for such construction from other funds;

(r) if and to the extent (i) permitted by law and (ii) determined by the Authority, interest on the Subordinate Lien Bonds issued to finance the construction of any project during the estimated period of construction and for one year after the completion thereof; and

(s) any and all other costs and expenses necessary or desirable and pertaining or incident to construction of any project, as estimated or otherwise ascertained by the Authority.

The Authority may deposit proceeds of any Series of Subordinate Lien Bonds in the Construction Fund which proceeds are to be used to pay costs referred to in (k) above allocable to any portion of such Series of Subordinate Lien Bonds the proceeds of which will be used to refund bonds, notes or other evidences of indebtedness or to reimburse the Authority for costs paid from the Airport Improvement Fund.

Withdrawals of monies on deposit in the Construction Fund (but not including monies on credit to a Construction Interest Account therein) shall be made only in accordance with applicable law and upon a written requisition for such payment signed by the Designated Financial Officer and, in the case of clauses (d), (e), (f), (g), (h), (i), and (j) of the preceding paragraph of this section, by the engineer or architect (who may be an engineer or architect in the employ of the Authority), if any, supervising the construction of the project to which such requisition pertains stating:

(i) the amount to be paid and the name of the person to whom payment is due;

(ii) that an obligation in the stated amount has been incurred by the Authority and has not theretofore been paid,

(iii) that the payment of such amount is a proper charge against such Construction Account and specifying the purpose and circumstances of such obligation in reasonable detail, accompanied by a bill or statement of account for such obligation;

(iv) that the signers have no notice of any vendor's, mechanic's or other liens or rights to liens, or conditional sales contracts, or other contracts or obligations, which have not been released or will not be released simultaneously with such payment and which should be satisfied or discharged before such payment is made;

(v) with respect to Subordinate Lien Bonds the interest on which is excludable from gross income for federal income tax purposes, that of the total amount of the proceeds of the Subordinate Lien Bonds theretofore applied and the amount then being requisitioned, no less than ninety-five percent (95%) has been or will be expended as of the date of such requisition for the qualified cost of the Airport within the meaning of Section 142(a)(1) of the Internal Revenue Code of 1986, as amended;

(vi) that such requisition contains no item representing payment on account of any retained percentages which the Authority is, as of the date of such requisition, entitled to retain;

(vii) with respect to any such requisition for payment for labor, services, materials, supplies, furnishings, apparatus or equipment, that such labor or services were actually performed or such materials, supplies, furnishings, apparatus or equipment were actually used in or about the construction of the project or delivered at the site thereof for such purpose, or delivered for storage or fabrication at a place or places approved by the signers and under the control of the Authority, or if not so used or delivered, that an advance payment therefor is required by the supplier thereof; and

(viii) with respect to any project to be financed, in whole or in part, from the proceeds of PFC Bonds, that such project has received all approvals required by law to qualify to such financing.

Monies in the Construction Fund on credit to a Construction Interest Account therein shall be applied by the Authority as follows: on each Interest Payment Date until the monies in such Construction Interest Account are exhausted there shall be withdrawn from the monies credited to such account and deposited in the Subordinate Lien Bond Fund for credit to the Interest Account established for the Series of Subordinate Lien Bonds the interest on which is to be provided from the monies on credit to such Construction Interest Account an amount, together with accrued interest received upon the sale of the Series of Subordinate Lien Bonds with respect to which such Construction Interest Account was established, equal to the interest to become due on the next ensuing Interest Payment Date, on the Series of Subordinate Lien Bonds, the interest on which is to be provided from the monies on credit to such Construction Interest Account.

Monies on deposit to the Construction Fund and credited to a Construction Account therein shall be invested and reinvested to the extent reasonable and practicable in Investment Securities maturing in such amounts and at such times as is anticipated by the Authority will provide monies required to pay the Project Costs to be satisfied from such Fund, and monies on deposit in the Construction Fund and credited to a Construction Interest Account shall be invested and reinvested to the extent reasonable and practicable in Investment Securities maturing in such amounts and at such times so that the transfers required by the preceding paragraph to be made therefrom can be made when due. The interest and income derived from all such investments shall be credited to the Account from which such investment is made, to be used and applied as are the other monies credited to such Account.

The annual audit to be made pursuant to Section 5.15 hereof shall include the Construction Fund, and shall show all receipts of such Fund and each Account therein, the investments held therein and the disbursements and withdrawals therefrom.

Until used and applied in accordance with the foregoing provisions of this section, (i) all monies on deposit in the Construction Fund shall be secured in the manner provided by law, and (ii) all monies on deposit in the Construction Fund and the securities in which such monies may from time to time be invested shall be held in trust for the equal and ratable benefit and

security of all the Subordinate Lien Bonds and shall be subject to the liens, pledges and charges created by Section 2.01 hereof.

With respect to Subordinate Lien Bonds the interest on which is excludable from gross income for federal income tax purposes, the Authority will maintain records to enable the Authority to cause to be made the computations necessary to determine whether the Subordinate Lien Bonds meet the requirements of Section 148 of the Internal Revenue Code of 1986 and the regulations thereunder, including, but not limited to, records showing the dates and amounts of all investments of funds held in the Construction Fund and the dates and amounts of the receipts of the earnings, sales proceeds and maturities of such investments.

All monies and securities remaining in the Construction Fund which are derived from Subordinate Lien Bonds the interest on which is excludable from gross income for federal income tax purposes shall be applied by the Authority after the completion of any project for one or more of the following purposes:

- (i) rebate to the extent required by the preceding paragraph; or
- (ii) deposit to the Subordinate Lien Bond Fund for purchase and cancellation of Subordinate Lien Bonds or redemption of Subordinate Lien Bonds at the earliest practicable redemption date, as provided in Section 4.02 hereof; or
- (iii) payment of the cost of any additional exempt facilities (as that term is defined in Section 142(a)(1) of the Internal Revenue Code of 1986, as amended), provided that the Authority shall have adopted such resolutions as may be necessary to provide for the financing of such facilities and provided further that the Authority shall have obtained a written opinion of a firm of nationally recognized bond counsel that such application will not impair the exemption from federal income taxation of the interest on any of the Subordinate Lien Bonds; or
- (iv) for any other purpose which in the opinion of a firm of nationally recognized bond counsel will not impair the exemption from federal income taxation of interest on any of the Subordinate Lien Bonds.

All other monies and securities remaining in the Construction Fund after the completion of any project may be applied for any Airport Purpose as directed by the Authority.

ARTICLE IV

ESTABLISHMENT OF CERTAIN FUNDS; APPLICATION OF FUND PROCEEDS; INVESTMENTS

SECTION 4.01. Application of Revenues. (a) All Revenues shall be collected by or for the account of the Authority and shall be set aside as collected and, except as is specifically provided otherwise in the Senior Lien Bond Resolution or herein, shall be deposited in the Revenue Fund. There shall also be deposited in the Revenue Fund the monies required to be deposited therein by Sections 5.17 and 5.18 of the Senior Lien Bond Resolution or analogous sections of any other Senior Lien Bond Resolution; and Sections 5.17 and 5.18 hereof; and Sections 8.01 and 9.01

of the Senior Lien Bond Resolution; and such other deposits as may be required by any Senior Lien Bond Resolutions hereafter adopted.

(b) After setting aside and reserving each month the amount which the Authority determines to be required to pay Operation and Maintenance Expenses, and that amount required to be deposited in any interest account, serial bond principal account, and term bond principal account established with respect to any Senior Lien Bonds issued under the Senior Lien Bond Resolution, the monies in the Revenue Fund shall be deposited each month into the Subordinate Lien Bond Fund and the Accounts therein in the amount required by this Resolution to be used for the purposes specified herein.

After setting aside and reserving the amount required, if any, by the Senior Lien Bond Resolution to be deposited in any reserve fund or account established with respect to a series of bonds issued thereunder, there shall be applied the amount required by this Resolution, if any, to be deposited in the Subordinate Lien Bond Reserve Fund.

Nothing herein shall affect the provisions of Section 2.01 hereof regarding lien priority or the provisions of Sections 4.02 or 4.03 regarding payments from the Subordinate Lien Bond Fund and the Subordinate Lien Bond Reserve Fund and any accounts therein.

SECTION 4.02. Creation of the Subordinate Lien Bond Fund and Accounts therein.
There is hereby created and established hereunder a separate special trust fund of the Authority to be known and designated as the "Tucson Airport Authority Subordinate Lien Revenue Bond Fund" (herein defined and referred to as the "Subordinate Lien Bond Fund"), and to be held and administered by the Authority hereunder so long as any of the Subordinate Lien Bonds are Outstanding. The Authority is hereby obligated to, and shall, set aside and deposit in said Fund the Net Revenues pledged hereunder, to the extent necessary to provide for the punctual payment of the principal of and interest and premium, if any, on the Subordinate Lien Bonds as and when the same become due, whether such due date be by reason of stated maturity or by redemption or by declaration, as hereinafter provided, or otherwise.

The monies on deposit to the Subordinate Lien Bond Fund pursuant to this Resolution shall be used solely for the payment of principal and interest and premium, if any, due upon the Subordinate Lien Bonds. The Authority shall make whatever arrangements with the Paying Agents for the Subordinate Lien Bonds of each Series that may be necessary so that the Subordinate Lien Bonds payable at the offices of such Paying Agents which are presented to such Paying Agents may be paid as and when the same become due.

The monies deposited in the Subordinate Lien Bond Fund pursuant to this Resolution shall not be commingled with any other monies of the Authority; shall be used and applied only in the manner and for the purposes hereinafter provided in this section; and shall be withdrawn from said Fund for said purposes only in accordance with such procedure as is provided by law. Until used and applied as hereinafter provided in this section, all monies in the Subordinate Lien Bond Fund and the securities in which such monies may, from time to time be invested, shall be held hereunder in trust for the equal and ratable benefit and security of all the Subordinate Lien Bonds and shall be subject to the liens, pledges and charges created by Section 2.01 hereof.

Supplemental to the foregoing provisions of this section, there shall be deposited in the Subordinate Lien Bond Fund: (i) the monies, if any, required by Subordinate Lien to be deposited in this Fund; (ii) any amounts held hereunder which, at the option and in the discretion of the Authority may be applied to the purchase or redemption of Subordinate Lien Bonds, to the extent the Authority has determined that such monies shall be applied to such purposes and such application is not prohibited by the provisions of the Senior Lien Bond Resolution and the provisions hereof; (iii) PFC Revenues to the extent pledged as additional security for Subordinate Lien Bonds; and (iv) Net Revenues, in the following amounts and at the following times:

(a) Interest Account. There is hereby created a separate account in the Subordinate Lien Bond Fund for each Series of Subordinate Lien Bonds issued hereunder each to be known as an "Interest Account" which shall be disbursed by the Authority solely for the purpose of paying interest on the Subordinate Lien Bonds of the Series for which such Interest Account was created as the same becomes due and may not be applied to the payment of interest on any other Series of Subordinate Lien Bonds. In each month, commencing with the last business day of the month which follows the last month for which interest on such Series of Subordinate Lien Bonds, if any, is fully provided from monies credited to a Construction Interest Account, (a) with respect to each Series of Subordinate Lien Bonds (other than Variable Rate Subordinate Lien Bonds or Subordinate Lien Commercial Paper Program Bonds which have Interest Payment Dates occurring at intervals of one month or less), commencing on such last business day and continuing on the last business day of each month thereafter so long as any of the Subordinate Lien Bonds of each such Series are Outstanding, the Authority shall credit to the Interest Account established for each such Series of Subordinate Lien Bonds an amount such that, if the same amount were so credited to each such Interest Account on the last business day of each succeeding month thereafter, the aggregate of such amounts on credit to each such Interest Account on the last business day of the month preceding an Interest Payment Date will be equal to the installment of interest falling due on the Subordinate Lien Bonds of such Series on such Interest Payment Date or the amount required to reimburse the Financial Institution for a draw on the Support Facility made to provide funds for the payment thereof, and (b) with respect to Variable Rate Subordinate Lien Bonds or Subordinate Lien Commercial Paper Program Bonds (which have Interest Payment Dates occurring at intervals of one month or less), on the last business day prior to each Interest Payment Date the Authority shall credit to each Interest Account the amount required together with other funds available therefor in the Interest Account, to pay, or to reimburse the Financial Institution for a draw on the Support Facility made to provide funds for the payment of, the interest payable on each Series of Outstanding Variable Rate Subordinate Lien Bonds of Subordinate Lien Commercial Paper Program Bonds on such Interest Payment Date.

In making the foregoing credits to each Interest Account, consideration shall be given to and allowance made for accrued interest received upon the sale of a Series of the Subordinate Lien Bonds deposited in the Subordinate Lien Bond Fund and credited to the appropriate Interest Account and for other credits made or to be made to a particular Interest Account from monies credited to a Construction Interest Account.

(b) Serial Bond Principal Account. There is hereby created a separate account in the Subordinate Lien Bond Fund for each Series of Subordinate Lien Bonds issued

hereunder, each to be known as a “Serial Bond Principal Account” which shall be disbursed by the Authority solely for the purpose of paying principal on the Subordinate Lien Bonds of the Series for which such Serial Bond Principal Account was created as the same becomes due and may not be applied to the payment of principal on any other Series of Subordinate Lien Bonds. In the event of the issuance of any Series of Subordinate Lien Bonds hereunder maturing at times customarily known as maturing serially, in order to provide for the payment of principal of such Subordinate Lien Bonds of such Series, or to reimburse the Financial Institution for a draw on the Support Facility made to provide funds for the payment of, such Series of Subordinate Lien Bonds maturing serially, commencing with the month which is twelve months prior to the first principal payment of any of such Subordinate Lien Bonds maturing serially and in each month thereafter so long as any of such Series of Subordinate Lien Bonds so maturing are Outstanding, there shall be credited to the Serial Bond Principal Account established for such Series of Subordinate Lien Bonds an amount such that, if the same amount were so credited to such Account on the first business day of each succeeding month thereafter prior to the next date upon which the principal of any of said Series of Subordinate Lien Bonds maturing serially becomes due and payable, the aggregate of the amounts on credit to such Account will on each such next principal payment date be equal to the principal amount of said Series of Subordinate Lien Bonds becoming due on such principal payment date.

In making the foregoing credits to each Serial Bond Principal Account, consideration shall be given to and allowance made for other credits made or to be made to a particular Serial Bond Principal Account.

(c) Term Bond Principal Account. There is hereby created a separate account in the Subordinate Lien Bond Fund for each Series of Subordinate Lien Bonds issued hereunder, each to be known as a “Term Bond Principal Account” which shall be disbursed by the Authority solely for the purpose of paying principal on the Subordinate Lien Bonds of the Series for which such Term Bond Principal Account was created as the same becomes due and may not be applied to the payment of principal on any other Series of Subordinate Lien Bonds. In the event of the issuance of any Series of Subordinate Lien Bonds hereunder in the form customarily known as “term bonds”, for the purpose of retiring such Subordinate Lien Bonds, or to reimburse the Financial Institution for a draw on the Support Facility made to provide funds for the payment of, such term Subordinate Lien Bonds, commencing with the month which is twelve months immediately prior to the date upon which the first sinking fund installment to provide for the retirement of such term Subordinate Lien Bonds is due, and in each month thereafter so long as any of such Subordinate Lien Bonds are Outstanding, there shall be credited to each Term Bond Principal Account an amount such that, if the same amount were so credited to this Account on the first business day of each succeeding month thereafter prior to the next date upon which a sinking fund installment falls due, the aggregate of the amounts on credit to each such Account will on each such next date upon which a sinking fund installment falls due be sufficient to redeem such term Subordinate Lien Bonds in the principal amounts and at the times specified in the Supplemental Subordinate Lien Resolution authorizing the issuance thereof. The respective amounts of monies credited to the Term Bond Principal Account for the purpose of providing for the retirement of the term Subordinate Lien Bonds of a particular Series shall be applied to the redemption of such Subordinate Lien Bonds of such Series on each date on which such an installment for said Subordinate Lien Bonds is due in the respective principal amounts required by the Supplemental Subordinate Lien

Resolution providing for the issuance of the Subordinate Lien Bonds of such Series to be on credit to this Account on each such date, or, if so determined by the Authority, semi-annually on both such due dates and the day six months prior to such due date, in the respective principal amounts on credit to this Account on such days for the Subordinate Lien Bonds of such Series, so that the aggregate amount so applied in each calendar year will equal the respective principal amount required by the respective Supplemental Subordinate Lien Resolution providing for their issuance to be credited to this Account on such installment dates. The Authority may also apply the monies credited to this Account for the retirement of Subordinate Lien Bonds of a particular Series issued in term form to the purchase of those Subordinate Lien Bonds, in which event the principal amount of said Subordinate Lien Bonds required to be redeemed on the next respective ensuing installment date shall be reduced by the principal amount of the Subordinate Lien Bonds so purchased; provided, however, that no Subordinate Lien Bonds shall be purchased during the interval between the date on which notice of redemption of said Subordinate Lien Bonds from such installment is given and the date of redemption set forth in such notice, unless the Subordinate Lien Bonds so purchased are Subordinate Lien Bonds called for redemption in such notice or are purchased from monies other than those credited to this Account; and provided further, that no purchase of Subordinate Lien Bonds shall be made if such purchase would require the sale at a loss of securities credited to the Term Bond Principal Account unless the difference between the actual purchase price (including accrued interest and any brokerage or other charge) paid for such Subordinate Lien Bonds and the then maximum purchase price (plus accrued interest) permitted to be paid therefor, is greater than the loss upon the sale of any such securities. Any purchase of Subordinate Lien Bonds pursuant to this paragraph may be made with or without tenders of Subordinate Lien Bonds and at either public or private sale, but in any event at a purchase price (including accrued interest and any brokerage or other charge) not to exceed the then applicable redemption price of such Subordinate Lien Bonds, plus accrued interest. All Subordinate Lien Bonds purchased or redeemed pursuant to this paragraph shall be cancelled and not reissued.

In making the foregoing credits to each Term Bond Principal Account, consideration shall be given to and allowance made for other credits made or to be made to a particular Term Bond Principal Account.

The monies on deposit in the Subordinate Lien Bond Fund on credit to the Interest Account, Serial Bond Principal Account and Term Bond Principal Account shall be transferred to the respective Paying Agents for said Subordinate Lien Bonds in such amounts and at such times as shall be necessary to pay the principal of, premium, if any, and interest on said Subordinate Lien Bonds as the same become due and payable, whether upon their maturity or upon the redemption or the purchase thereof from the monies credited to the Term Bond Principal Account or upon declaration, as hereinafter provided, or otherwise.

SECTION 4.03. Subordinate Lien Bond Reserve Fund. There is hereby created and established hereunder a separate special trust fund of the Authority, to be known and designated as the "Tucson Airport Authority Subordinate Lien Bond Reserve Fund" (herein defined and referred to as the "Subordinate Lien Bond Reserve Fund"), to be held and administered by the Authority hereunder so long as any of the Subordinate Lien Bonds are Outstanding. A separate account shall be established in the Subordinate Lien Bond Reserve Fund for each Series of Subordinate Lien Bonds issued hereunder for which the Supplemental Subordinate Lien

Resolution authorizing such Series of Subordinate Lien Bonds establishes a Subordinate Lien Bond Reserve Fund Requirement which may be zero (0), except that by Supplemental Subordinate Lien Resolution, such account may also be granted as additional security for one or more other Series of Subordinate Lien Bonds. Subject to the last sentence of this paragraph each such Account shall be maintained in an amount equal to the Subordinate Lien Bond Reserve Fund Requirement with respect to the Series of Subordinate Lien Bonds secured thereby and shall be disbursed by the Authority solely for the purpose of paying principal of and interest on Subordinate Lien Bonds of the Series for which such account was established for the payment of which there shall be insufficient money in the Subordinate Lien Bond Fund and the Holders of any other Series of Subordinate Lien Bonds not secured by such account shall have no right to payment of principal of or interest on Subordinate Lien Bonds from or lien on amounts on deposit in such account. The Subordinate Lien Bond Reserve Fund Requirement shall be determined with respect to a Series of Subordinate Lien Bonds at the time of issuance of such Series of Subordinate Lien Bonds, September 30 of each year and such other time or times as the Authority shall determine.

Subject to the remaining provisions of this paragraph (a) if at any time during a Fiscal Year the monies on deposit in the Subordinate Lien Bond Reserve Fund are less than the Subordinate Lien Bond Reserve Fund Requirement, the amount of the deficiency shall be restored from the first available Net Revenues; (b) if at the end of any Fiscal Year, the monies on deposit in the Subordinate Lien Bond Reserve Fund are less than the Subordinate Lien Bond Reserve Fund Requirement, the Authority shall deposit an amount in the Subordinate Lien Bond Reserve Fund from Net Revenues on deposit in the Revenue Fund after making the deposits "First" through "Fifth" as required by Section 4.01(b) so that there shall then be on deposit in the Subordinate Lien Bond Reserve Fund an amount equal to the Subordinate Lien Bond Reserve Fund Requirement; (c) if the deficiency in the Subordinate Lien Bond Reserve Fund is due to the withdrawal of monies on deposit therein to pay principal of or interest on a particular Series of Subordinate Lien Bonds then in each month, commencing with the month which follows the month in which such withdrawal is made from the Subordinate Lien Bond Reserve Fund, the Authority shall deposit from the Net Revenues on deposit in the Revenue Fund after making the deposits "First" through "Seventh" as required by Section 4.01(b) to the Subordinate Lien Bond Reserve Fund at least an amount which, if the same amount were so deposited to the Subordinate Lien Bond Reserve Fund in each month thereafter until the day which is sixty (60) months from the making of the first of such deposits, there shall be on deposit in the Subordinate Lien Bond Reserve Fund on such day an amount not less than the Subordinate Lien Bond Reserve Requirement for such Series of Subordinate Lien Bonds; and (d) if at any time and for so long as the monies on deposit in the Subordinate Lien Bond Reserve Fund are at least equal to the Subordinate Lien Bond Reserve Fund Requirement, no further deposits shall be made to the Fund, and any amounts in excess of the Subordinate Lien Bond Reserve Fund Requirement may be restored to the Revenue Fund for use and application as are all other monies on deposit therein.

When a Series of Subordinate Lien Bonds is refunded in whole or in part or is otherwise paid so that all of the Subordinate Lien Bonds of such Series are no longer Outstanding monies may be withdrawn from the Subordinate Lien Bond Reserve Fund established for such Series of Subordinate Lien Bonds to pay or provide for the payment of such Subordinate Lien Bonds or refunded Subordinate Lien Bonds, as the case may be, or may be transferred and applied to any reserve fund or account established for the refunding bonds issued to refund such refunded

Subordinate Lien Bonds, provided that immediately after such withdrawal or transfer there shall be on credit to the Subordinate Lien Bond Reserve Fund an amount equal to the Subordinate Lien Bond Reserve Fund Requirement.

The Supplemental Subordinate Lien Resolution providing for the issuance of a Series of Subordinate Lien Bonds shall provide for the initial funding of a Subordinate Lien Bond Reserve Account for one or more Series of Subordinate Lien Bonds, which may be at such time or times and from such sources as specified in such Supplemental Subordinate Lien Resolution, and set forth such provisions regarding the removal and disposition of any arbitrage earnings in the accounts established in the Subordinate Lien Bond Reserve Fund for such Series of Subordinate Lien Bonds and such other provisions with respect to the accounts established in the Subordinate Lien Bond Reserve Fund for such Series of Subordinate Lien Bonds so as to enable the Authority to comply with the provisions of Section 5.22 hereof.

Whenever the total of the monies on deposit in the Subordinate Lien Bond Fund (regardless of the Account therein to which such monies are credited) and the Subordinate Lien Bond Reserve Fund with respect to a particular Series of Subordinate Lien Bonds which are not required for the payment of principal and interest and premium, if any, which has theretofore become due (whether by maturity or upon redemption or by purchase or by declaration, as hereinafter provided, or otherwise) with respect to such Series of Subordinate Lien Bonds, but is unpaid, is sufficient to retire at maturity, or to redeem prior to maturity in accordance with their respective terms, all of the Subordinate Lien Bonds of such Series then Outstanding, together with interest thereon to their maturity date or the date fixed for the redemption thereof, no further deposits need be made to the Subordinate Lien Bond Fund or the Subordinate Lien Bond Reserve Fund with respect to such Series of Subordinate Lien Bonds, and without further authorization or direction of the Board, the proper officers of the Authority shall call for redemption all Subordinate Lien Bonds of such Series which may be redeemed by their terms, on the next succeeding redemption date for which the required redemption notice may practicably be given, and shall apply such total to such retirement or redemption.

In lieu of the deposit of monies in the Subordinate Lien Bond Reserve Fund, the Authority may cause to be so credited a surety bond or an insurance policy payable to the Authority for the benefit of the Holders of the Subordinate Lien Bonds of a Series or a letter of credit in an amount equal to the difference between the Subordinate Lien Bond Reserve Fund Requirement and the amounts then on deposit in the Subordinate Lien Bond Reserve Fund with respect to the Subordinate Lien Bonds of a Series. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any date on which monies will be required to be withdrawn from the Subordinate Lien Bond Reserve Fund and applied to the payment of the principal of or interest on any Subordinate Lien Bonds of such Series and such withdrawals cannot be made by amounts credited to the Subordinate Lien Bond Reserve Fund. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in one of the two highest rating categories by at least one Rating Agency.. The letter of credit issuer shall be a bank or trust company which is rated in one of the two highest rating categories by at least one Rating Agency, and the letter of credit itself shall be rated in one of the two

highest rating categories by at least one Rating Agency. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit provided pursuant to this paragraph the Authority shall be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit funds into the Subordinate Lien Bond Reserve Fund in accordance with clause (c) of the second paragraph of Section 4.02, or a combination of such alternatives, as shall provide that the amount credited to the Subordinate Lien Bond Reserve Fund equals the Subordinate Lien Bond Reserve Fund Requirement for such Series of Subordinate Lien Bonds.

If the issuer of a surety bond, insurance policy or letter of credit on deposit in the Subordinate Lien Bond Reserve Fund shall cease to have a rating described in the immediately preceding paragraph, the Authority shall use reasonable efforts to replace such surety bond, insurance policy or letter of credit with one issued by an issuer having a rating so described, but shall not be obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Net Revenues in the Subordinate Lien Bond Reserve Fund in lieu of replacing such surety bond, insurance policy or letter of credit with another and such surety bond, insurance policy or letter of credit shall fully satisfy the Subordinate Lien Bond Reserve Requirement with respect to a particular Series of Subordinate Lien Bonds notwithstanding such decrease in rating.

SECTION 4.04. Investment of Monies in Funds Other Than Construction Fund. Monies in the Subordinate Lien Bond Fund shall be invested and reinvested by the Authority to the extent reasonable and practicable in Investment Securities maturing in the amounts and at the times as determined by the Authority so that the payments required to be made from such Fund may be made when due. Monies on credit to the Subordinate Lien Bond Reserve Fund shall be invested in Investment Securities so as to mature by no later than the maturity date of all Subordinate Lien Bonds then Outstanding. The Authority shall be authorized to sell any investment when necessary to make the payments to be made from the Funds (other than the Construction Fund) created hereby. All earnings on and income from investments of monies in the Funds (other than the Construction Fund) created hereby shall be deposited in the Revenue Fund, for use and application as are all other monies deposited in that Fund. Unless invested as above provided, all monies in the Funds referred to in this paragraph shall be secured in the manner provided by law for the securing of public funds.

All Investment Securities shall constitute a part of the respective Fund (other than the Construction Fund) and Account therein from which the investment in Investment Securities was made. Amounts in the Subordinate Lien Bond Reserve Fund shall be valued at the time of any withdrawal therefrom and as of September 30 of each year. For the purposes of making any calculations or computations at any time and from time to time of the amounts in any such Fund or Account, including the Subordinate Lien Bond Reserve Fund, which may be required for the purposes of this Resolution, all investments shall be valued at the then market value thereof.

The Authority will maintain records to enable it to cause to be made the computations necessary to determine whether a Series of Subordinate Lien Bonds the interest on which is excludable from gross income for federal income tax purposes meets the requirements of Section 148 of the Internal Revenue Code of 1986 and the regulations thereunder, including, but not

limited to, records showing the dates and amounts of all investments of funds held in the Subordinate Lien Bond Fund and Subordinate Lien Bond Reserve Fund and the dates and amounts of the receipts of the earnings, sales proceeds and maturities of such investments.

ARTICLE V

PARTICULAR COVENANTS OF THE AUTHORITY

The Authority hereby covenants and agrees with the purchasers and Holders of all Subordinate Lien Bonds issued pursuant to this Resolution and any Supplemental Subordinate Lien Resolution as follows:

SECTION 5.01. Compliance with Senior Lien Bond Resolution; Amendments Thereof, Incurring of Debt Thereunder. Until such time as the lien of the Senior Lien Bond Resolution has been discharged in accordance with the defeasance provisions thereof, the Authority shall comply in all respects with each of the provisions, covenants and agreements of or contained in the Senior Lien Bond Resolution.

In the event of any irreconcilable conflict between the provisions of this Resolution and the provisions of the Senior Lien Bond Resolution, so long as any Senior Lien Bond shall remain Outstanding under the Senior Lien Bond Resolution, the provisions of the Senior Lien Bond Resolution shall control and the Authority shall comply with such provisions.

The Authority will not hereafter consent to or agree to any change, amendment or modification of the Senior Lien Bond Resolution except for changes, amendments or modifications currently contemplated by the Senior Lien Bond Resolution, which would in any way or manner prejudice or materially affect adversely the rights or interests of the Holders of the Senior Lien Bonds or the Subordinate Lien Bonds.

As provided in Section 2.01 hereof, the Authority expressly reserves the right to issue additional Senior Lien Bonds under the Senior Lien Bond Resolution, which additional Senior Lien Bonds shall be secured senior and superior to the liens, pledges and charges on Subordinate Lien Bonds issued hereunder.

Unless otherwise specifically provided herein or in the Senior Lien Bond Resolution, at such time as all Senior Lien Bonds are no longer Outstanding under the defeasance provisions of the Senior Lien Bond Resolution, the Authority shall not be required to comply with any provision of the Senior Lien Bond Resolution.

SECTION 5.02. Annual Airport Budget. The Authority before the beginning of each Fiscal Year shall prepare and adopt an annual budget for such Fiscal Year. Such budget shall set forth in reasonable detail Revenues anticipated to be derived in such Fiscal Year and the expenditures anticipated to be paid or provided for therefrom in such Fiscal Year including, without limitation, the amounts required to provide for the payment of the principal of, interest and premium, if any, on the Subordinate Lien Bonds during such Fiscal Year, to pay or provide for Operation and Maintenance Expenses for such Fiscal Year, to make up any deficiencies in any fund or account anticipated for the then current Fiscal Year, and to pay or provide for the payment of all other claims or obligations required to be paid from Revenues in such Fiscal Year. Such

budget shall be open for inspection by the Holder of any Subordinate Lien Bond. The Authority shall mail either a copy of the budget or a copy of a summary thereof to any Holder of a Subordinate Lien Bond who shall file a written request therefor with the Authority.

SECTION 5.03. Covenant as to Rates, Rentals, Fees and Charges. 1. The Authority shall impose and prescribe such schedule of rates, rentals, fees and charges for the use and services of and the facilities and commodities furnished by the Airport System, and shall revise the same from time to time whenever necessary, and collect the income, receipts and other monies derived therefrom, so that the Airport System shall be and always remain financially self-sufficient and self-sustaining. The rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Revenues at least sufficient (i) to pay as and when the same become due all Operation and Maintenance Expenses, (ii) to pay the principal of and interest and premium on the Senior Lien Bonds, Subordinate Lien Bonds, and any Junior Subordinate Lien Obligations outstanding issued pursuant to Section 2.05 hereof, as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise), and (iii) to carry out all provisions and covenants of this Resolution.

2. Without limiting the provisions of paragraph (1) of this Section, at all times and in any and all events such rates, rentals, fees and charges shall be imposed, prescribed, adjusted, enforced and collected for each Fiscal Year which will yield for such Fiscal Year, Net Revenues, after deducting Senior Lien Aggregate Annual Debt Service, which together with the Coverage Transfer Amount and the total amount of PFC Revenues and federal or state grants or other monies pledged as additional security for payment of Subordinate Lien Bonds applied in such Fiscal Year to the payment of Debt Service on Subordinate Lien Bonds Outstanding, but not in excess of the amount of PFC Revenues and such federal or state grants or other monies so pledged as additional security on Subordinate Lien Bonds, will equal at least one hundred ten percent (110%) of Subordinate Lien Aggregate Annual Debt Service during such Fiscal Year on all Subordinate Lien Bonds Outstanding.

For purposes of this subsection (2), the Coverage Transfer Amount taken into account shall not exceed ten percent (10%) of Subordinate Lien Aggregate Annual Debt Service on Subordinate Lien Bonds Outstanding.

3. The failure to comply with the covenant in subsections 1 and 2 of this Section 5.03 shall not constitute an Event of Default under this Resolution if the Authority shall promptly (i) cause an Airport Consultant to make a study for the purpose of making recommendations with respect to rates, rentals, fees and charges for the Airport System in order to provide funds for all the payments and other requirements as specified in subsections 1 and 2 of this Section 5.03; (ii) consider the recommendations of the Airport Consultant, and (iii) take such action as the Authority, in its discretion, may deem necessary to comply with subsections 1 and 2 of this Section 5.03.

SECTION 5.04. To Pay Principal, Premium and Interest of Subordinate Lien Bonds. The Authority will duly and punctually pay, or cause to be paid, but solely from Net Revenues and other monies pledged hereunder, the principal of and interest and premium, if any, on each and every Subordinate Lien Bond at the place, on the dates and in the manner provided herein and in said Subordinate Lien Bonds according to the true intent and meaning hereof and thereof.

SECTION 5.05. Possession of Land. The Authority covenants (i) that it is lawfully possessed of the Airport System as presently existing and that under the Lease the Authority is entitled to the exclusive possession of the Airport, subject to Permitted Encumbrances as defined hereinafter in this paragraph, and (ii) that it will continually defend its interest in the Airport System and every part thereof for the benefit of the Holders of the Subordinate Lien Bonds against the claims and demands of all persons whomsoever. If any defect (other than said Permitted Encumbrances) shall be discovered in the title to the Airport System, the Authority shall promptly take such action as may be necessary or proper to remedy or cure the same. For the purpose of this paragraph "Permitted Encumbrances" means, as of any particular time, (i) liens for ad valorem taxes, if any, not then delinquent; (ii) utility, access and other easements and rights of way, restrictions and exceptions that will not interfere with or impair the operations being conducted at the Airport System; (iii) mechanics', materialmen's and other liens as and to the extent permitted by and referred to in Section 5.19; (iv) encumbrances or restrictions imposed in any conveyances to the Authority of Airport System properties or interests therein by the Federal Government or the City of Tucson, Arizona, or other governmental body conveying properties to the Authority; and (v) such defects, irregularities, encumbrances, easements, rights of way, and clouds on title as normally exist with respect to properties similar in character to the Airport System and as do not, in the opinion of counsel (who may be counsel to the Authority), materially impair the use of the property affected thereby for the purpose for which it was acquired or is held by the Authority. Nothing contained in this Section 5.05 shall be construed as an acknowledgment that property owned or operated by the Authority is subject to any ad valorem taxes or mechanics' or materialmen's liens.

SECTION 5.06. Filings and Recordings. The Authority will comply with, or cause to be complied with, any written direction of Authority's bond counsel regarding the adoption of such Supplemental Subordinate Lien Resolutions, and the undertaking, execution, acknowledgment, delivery, filing, registration, recording, re-filing, re-registration or re-recording of such instruments as bond counsel directs are required for the better assuring, pledging, charging and confirming unto the Holders of the Subordinate Lien Bonds, the Net Revenues and other monies pledged hereunder to the payment of the principal of and interest and premium, if any, on the Subordinate Lien Bonds.

SECTION 5.07. To Complete Acquisitions and Constructions Promptly. The Authority will proceed with all reasonable dispatch to complete the acquisition, purchase, construction, improvement, betterment, extension, addition, reconstruction, restoration, equipping and furnishing of any properties the costs of which are to be paid from the proceeds of Subordinate Lien Bonds or from any other monies held hereunder.

SECTION 5.08. To Keep Airport System in Good Repair and to Make Improvements and Betterments Thereto. The Authority will maintain, preserve, keep and operate, or cause to be maintained, preserved, kept and operated, the properties constituting the Airport System (including all additions, improvements and betterments thereto and extensions thereof and every part and parcel thereof) in good and efficient repair, working order and operating condition in conformity with standards customarily followed in the aviation industry for airports of like size and character. The Authority will from time to time make all necessary and proper repairs, renewals, replacements and substitutions to said properties, and construct additions and improvements thereto and extensions and betterments thereof which are economically sound, so

that at all times the business carried on in connection therewith shall and can be properly and advantageously conducted in an efficient manner and at reasonable cost.

SECTION 5.09. To Operate and Maintain Airport System. The Authority shall operate and maintain the Airport System as a revenue-producing enterprise and shall manage the same in the most efficient manner consistent with sound economy and public advantage and consistent with the protection of the Holders of the Subordinate Lien Bonds and so as to assure that the same shall be financially self-sufficient and self-sustaining.

SECTION 5.10. Lease. The Authority shall comply with, and enforce its rights under, the Lease. The Authority shall not consent to any amendments to the Lease which would impair or diminish the security and payment of the Subordinate Lien Bonds.

SECTION 5.11. Other Leases and Contracts. The Authority shall perform all contractual obligations undertaken by it under leases or agreements pertaining to or respecting the Airport System and shall enforce its rights thereunder. The Authority shall not enter into any contract or lease pertaining to the Airport System by which the rights, payment or security of the Subordinate Lien Bonds might be impaired or diminished.

SECTION 5.12. Governmental Approval. The Authority shall perform any construction, reconstructions and restorations of, improvements, betterments and extensions to, and equippings and furnishings of, and will operate and maintain the Airport System at standards required in order that the same may be approved by the proper and competent Federal Government authority or authorities for the landing and taking off of aircraft operating in scheduled service, and as a terminal point of the Authority for the receipt and dispatch of passengers, property and mail by aircraft.

SECTION 5.13. Compliance With Terms of Grants-in-aid; Application Thereof. The Authority shall comply with the requirements of the Federal government of grants-in-aid accepted by the Authority.

SECTION 5.14. To Employ Competent Personnel; Fidelity Bonds. The Authority shall at all times employ competent supervisory personnel for the operation and management of the properties constituting the Airport System, and shall establish and enforce reasonable rules, regulations and standards governing the employment of operating personnel at reasonable compensation, salaries, fees and charges, and all persons employed by the Authority will be qualified for their respective positions; provided, however, that the provisions of this paragraph shall be subject to any law of the State of Arizona applicable to the appointment or employment of personnel and employees of the Authority or the salary, wages or compensation thereof, and also to the terms and provisions of any agreements between the Authority and the City of Tucson.

The Authority shall cause to be bonded or insured, in such amount as it may deem sufficient, each director, officer or employee of the Authority handling or having custody of or having in his possession Revenues or other monies, including the proceeds of Subordinate Lien Bonds, held hereunder or required hereby to be deposited or held hereunder, which bond or insurance shall be conditional upon the proper application of Revenues and other monies,

including the proceeds of Subordinate Lien Bonds, held hereunder or required hereby to be deposited or held hereunder, but such application need not necessarily be limited thereto.

SECTION 5.15. Books and Accounts; Audits. The Authority shall maintain and keep proper books, records and accounts in which complete and correct entries shall be made of all dealings and transactions relating to the Airport System. Such accounts shall show the amount of Revenues available for the purposes of this Resolution, and the application of such Revenues to the purposes specified in this Resolution and all financial transactions in connection therewith.

The Authority shall cause such financial accounts to be audited by an Accountant. Such Accountant shall be selected with special reference to his general knowledge, skill and experience in auditing books and accounts. Such audit shall be made annually and shall be completed within one hundred twenty (120) days after the close of each Fiscal Year. Each such audit shall contain the Accountant's opinion of the Authority's financial accounts and schedules contained in the audit report. A copy of each such annual audit shall be open for public inspection, filed with the Trustee, and shall be mailed to any Holder of Subordinate Lien Bonds filing with the Authority a request for the same.

Each audit report, in addition to whatever matters may be thought proper by the Accountant to be included therein, shall include the following: (a) a statement in detail of the income and expenditures pertaining to the Airport System for the audit period, including but not limited to a statement of the amounts of Revenues, Operation and Maintenance Expenses and capital expenditures; (b) a balance sheet as of the end of the Fiscal Year, including, without limitation, the amounts on hand, both cash and investments, in each of the funds and accounts created hereunder or in any Supplemental Subordinate Lien Resolution, and the Subordinate Lien Bonds Outstanding; (c) a schedule demonstrating compliance with subsections 1 and 2 of Section 5.03 of this Resolution, and (d) the Accountant's comments, if any, regarding the Authority's accounting practices and the manner in which the Authority has carried out the requirement of this Resolution.

The Accountant shall audit the financial accounts prescribed by this Resolution notwithstanding any inconsistency between such accounting procedures and generally accepted accounting principles; provided that nothing contained in this Section 5.15 shall prevent the Authority from directing the Accountant to audit the books of accounts of the Authority both in accordance with this Resolution and generally accepted accounting principles.

SECTION 5.16. Superior or Equal Lien Bonds; Junior Lien Obligations Permitted. The first Series of the Subordinate Lien Bonds and Additional Subordinate Lien Bonds, Subordinate Lien Completion Bonds and Subordinate Lien Refunding Bonds may be issued hereunder upon compliance with the provisions of Sections 2.01, 2.02, 2.03, 2.04 and 2.06, 2.07 or 2.08 hereof. The Authority expressly reserves the right to hereafter create or permit the creation of or issue any Subordinate Lien Bonds, notes, warrants or other obligations or evidences of indebtedness or create any additional indebtedness which will be payable as to principal or interest, or both, from Net Revenues prior to or on a parity with the payment therefrom of the principal of or interest on the Subordinate Lien Bonds, or prior to or on a parity with the payments and credits from Revenues to be made pursuant to the provisions of Section 4.02 hereof to the

Interest Account, Serial Bond Principal Account and Term Bond Principal Account in the Subordinate Lien Bond Fund, or which will be secured as to principal or interest, or both, by a lien and charge on Net Revenues superior or equal to the lien and charge of the Subordinate Lien Bonds and the interest thereon, or superior or equal to the lien and charge on Net Revenues or the payments and credits therefrom to be made pursuant to the provisions of Section 4.02 hereof to the Interest Account, Serial Bond Principal Account and Term Bond Principal Account in the Subordinate Lien Bond Fund.

Nothing in this Resolution, and particularly nothing in the preceding paragraph, shall prevent the Authority from authorizing, issuing or incurring Junior Subordinate Lien Obligations pursuant to Section 2.05 hereof.

Nothing in this Resolution, and particularly nothing in the first paragraph of this Section 5.16, shall prevent the Authority from issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness as provided in the second paragraph of Section 2.05 hereof.

SECTION 5.17. Not to Encumber or Dispose of Airport System Properties; Condemnation. Except as set forth below, the Authority shall not create or give, or cause to be created or given, or permit to be created or given, any mortgage, lien, pledge, charge or other encumbrance upon any real or personal property constituting the Airport System or upon Revenues and the monies held hereunder, other than the liens, pledges and charges specifically created herein or specifically permitted hereby.

The Authority shall not sell, lease, sublease, or otherwise dispose of all, or substantially all, of the properties constituting the Airport System without simultaneously with such sale, lease, sublease or other disposition depositing pursuant to and in accordance with the provisions of Section 9.01 hereof, cash or Governmental Obligations in an amount sufficient so that no Subordinate Lien Bonds are any longer deemed Outstanding hereunder as provided by and in accordance with said Section 9.01. Nothing herein shall preclude an exchange of Airport System property for property of comparable value.

The Authority may execute leases, licenses, easements and other agreements of or pertaining to properties constituting the Airport System in connection with the operation of the Airport System and in the normal and customary course of business thereof, according to the Authority's policy regarding rates, rentals, fees and charges of the Airport System, which rates, rentals, fees and charges shall be part of Revenues and which properties shall remain part of the Airport System, but any such leasing shall not be inconsistent with the provisions of this Resolution, and no lease shall be entered into by which the security of and payment for the Subordinate Lien Bonds might be impaired or diminished. The Authority may enter into Special Facility Agreements pursuant to and in accordance with the provisions of Article VIII hereof.

The Authority may also execute agreements of or pertaining to the acquisition of properties that are or will become a part of the Airport System in connection with the operation of the Airport System and in the normal and customary course of business thereof, and may subject such properties to a lien pending payment therefor; provided that the aggregate of the

payments under all such agreements in a Fiscal Year shall not exceed five percent (5%) of the annual budget of the Authority for such Fiscal Year adopted pursuant to Section 5.02 hereof, and all payments under any such agreement shall constitute Operation and Maintenance Expenses to the extent the agreement complies with this paragraph.

The Authority may from time to time sell, lease or otherwise dispose of any portion of the properties and facilities (real or personal) comprising a part of the Airport System which are surplus. Surplus properties or facilities shall be those the disposal of which will not impede or prevent the use of the Airport or its facilities for the conduct of air transportation or air commerce and which the Authority has determined have become unserviceable, unsafe or no longer required or which have been replaced by other property of substantially equal revenue-producing capability and of substantially equal utility for the conduct of air transportation or air commerce. Any monies received by the Authority as the proceeds of any such sale, lease, sublease or other disposition of such surplus properties or facilities shall become Revenues and be deposited in the Revenue Fund; provided, however, that to the extent that the original construction or acquisition of such surplus properties or facilities was financed from monies on deposit in the Airport Improvement Fund, then such proceeds shall be deposited in the Airport Improvement Fund; provided, further, however, that to the extent that the original construction or acquisition of such surplus properties or facilities was financed from monies derived from grants or passenger facility charges, then such proceeds shall be deposited in the Revenue Fund only to the extent that such application of proceeds is consistent with the conditions agreed to by the Authority with any governmental authority, or imposed on the Authority by law or any governmental authority, in obtaining such grants or passenger facility charges.

In the event any Airport System properties shall be taken by the exercise of the power of eminent domain, the amount of the award received by the Authority as a result of such taking shall be deposited in the Airport Improvement Fund and applied to any Airport Purpose consistent with the Lease as then in effect, including to the redemption or purchase of Subordinate Lien Bonds (such purchases to be made subject to the same conditions that purchases of Subordinate Lien Bonds may be made pursuant to Section 4.02 of the Senior Lien Bond Resolution or Section 4.02 hereof from monies credited to the Term Bond Principal Account in the Senior Lien Bond Fund or the Term Bond Principal Account in the Subordinate Lien Bond Fund) and to acquire or construct revenue producing properties to constitute a part of the Airport System.

SECTION 5.18. Insurance. The Authority shall carry insurance with generally recognized responsible insurers with policies payable to the Authority against risks, accidents or casualties at least to the extent that similar insurance is usually carried by airport operators operating properties similar to the Airport System. The Authority shall seek the advice and counsel from time to time of an independent insurance consultant or consultants to advise and assist the Authority with respect to the insurance program of the Airport System, and the Authority shall take into consideration, but will not be bound to follow, the advice of such insurance consultant or consultants in the placement of insurance and the establishment of a self-insurance fund or funds of the Authority as hereinafter provided.

Any insurance carried by the Authority pursuant hereto may be procured and maintained as part of or in conjunction with any other policy or policies carried by it. The Authority may create and establish special funds for self-insurance. In the event the Authority shall establish and maintain any such special funds, the Authority shall establish such reasonable reserves as shall be recommended by an insurance consultant and shall obtain at least annually a certificate of such insurance consultant regarding the adequacy of such reserves.

The proceeds of all insurance, to the extent the same are paid directly to the Authority, shall be held by the Authority under and subject to this Resolution and shall be applied as follows: (i) the proceeds of fire and extended coverage insurance and war damage insurance shall be held separate and apart in the Revenue Fund and applied to the repairing, replacing or reconstruction of the damaged or destroyed property as hereinafter provided; (ii) the proceeds of loss of use insurance shall be deposited in the Revenue Fund for use and application as are all other monies deposited in that Fund; and (iii) the proceeds of liability, workmen's compensation, and other insurance shall be held separate and apart in the Revenue Fund and applied toward extinguishing or satisfying or remedying the liability, loss or damage with respect to which such proceeds may be paid, and pending such application or, to the extent of excess, may be used for any lawful purpose.

Immediately after any loss or damage to the Airport System, the Authority shall promptly commence, and proceed to completion, with the repair, replacement or reconstruction of the damaged or destroyed property, and apply to the costs thereof the proceeds of the insurance carried pursuant to subparagraphs (a) and (b) above received with respect to such damage or destruction; provided that, to the extent permitted by the Lease, no such repair, replacement or construction shall be required if the Authority finds that repair, replacement or reconstruction of the damaged or destroyed property is not in the best interest of the Authority and, based on a certificate of an Airport Consultant, that the failure to repair, replace or reconstruct the damaged or destroyed property will not cause the Revenues in any future Fiscal Year of the Authority to be less than an amount sufficient to enable the Authority to comply with all covenants and conditions of the Senior Lien Bond Resolution and this Resolution or impair the security or the payment of the Senior Lien Bonds and the Subordinate Lien Bonds. If the Authority elects to undertake the repair, replacement or reconstruction of the damaged or destroyed property and such proceeds of the aforesaid insurance are insufficient for such purpose, the amount of such insufficiency may be satisfied from monies available under Section 4.01 of the Senior Lien Bond Resolution or Section 4.01 hereof for any lawful Airport Purpose of the Authority. If the proceeds of such insurance are more than sufficient for the purpose of repair, replacement or reconstruction of the damaged or destroyed property or the Authority elects not to undertake such repair, replacement or reconstruction the excess amount of such proceeds or all such proceeds, as the case may be, shall be deposited in the Airport Improvement Fund (as defined in the Senior Lien Bond Resolution).

SECTION 5.19. Payment of Taxes and Claims by the Authority. The Authority shall, from time to time, duly pay and discharge, or cause to be paid or discharged, any taxes, assessments or other governmental charges lawfully imposed upon the Airport or any part thereof or upon Revenues, or any required payments in lieu thereof, as well as all lawful claims for labor, materials and supplies furnished or supplied to the Airport System or any part thereof, when the same shall become due and payable, and keep the Airport System and all parts thereof and the Revenues free

from judgments, mechanics' and materialmen's liens, and free from all other liens, claims, demands or encumbrances of whatsoever prior nature or character; provided that the Authority may, in good faith, contest, or permit or cause to be contested, by appropriate proceedings, duly prosecuted, the applicability or validity of any such tax, assessment or governmental charge or payment in lieu thereof, as well as any claim for labor, material or supplies for work completed or materials or supplies furnished and in such event may permit the items so contested to remain unpaid, unsatisfied and undischarged during the period of any such contest and appeal therefrom, even though such contest or proceeding may result in a judgment or lien against the Airport System or any part thereof or the Revenues, if and so long as such contest or proceeding shall stay the execution or enforcement of any such tax, assessment, charge, claim, judgment or lien so that pending the determination of such contest or proceeding the Airport System and all parts thereof and the Revenues is not affected thereby, and if and so long as such contest or proceeding does not impair the security or the payment of the Subordinate Lien Bonds. If any such execution or enforcement is so stayed and such stay shall thereafter expire, the Authority shall forthwith pay or discharge, or cause to be paid and discharged, any such tax, assessment or governmental charge or payment in lieu thereof or claim for labor, material or supplies or judgment.

SECTION 5.20. Prosecution and Defense of Suits. The Authority shall promptly from time to time take such action as may be necessary and proper to remedy or cure any defect in or cloud upon the title to the Airport System or any part thereof (except for Permitted Encumbrances as defined in Section 5.05), whether now existing or hereafter developing; shall prosecute and defend all such suits, actions and other proceedings as may be appropriate for such purposes, including the defense of its leasehold interest in the Airport and shall indemnify and save every Subordinate Lien Bondholder harmless from all loss, cost, damage and expense, including attorneys' fees, which they may incur by reason of any such defect, cloud, suit, action or proceeding.

The Authority shall defend, or cause to be defended, against every suit, action or proceeding at any time brought against any Subordinate Lien Bondholder by a person other than the Authority upon any claim arising out of the receipt, application or disbursement of any of the Revenues or any other monies received, applied or disbursed under this Resolution, or involving the Airport System or the rights of any Subordinate Lien Bondholder under this Resolution and shall indemnify and save harmless all Subordinate Lien Bondholders against any and all liability claimed or asserted by any person whomsoever, arising out of such receipt, application or disbursement of the Airport System; provided, however, that any Subordinate Lien Bondholder at his election may appear in and defend any suit, action or proceeding. Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect, even though the Subordinate Lien Bonds are no longer Outstanding hereunder and all indebtedness and obligations secured hereby may have been fully paid and satisfied and the lien, pledge and charge of this Resolution may have been released and discharged.

SECTION 5.21. Protection of Security. The Authority shall not take any action in such manner or to such an extent as might prejudice the security or the payment of the Subordinate Lien Bonds according to the terms thereof. The Authority will maintain, preserve and renew all the rights, powers, privileges and franchises now owned by it or hereafter acquired by it with respect to the Airport System. The Authority shall not take any action by which the rights, payment or security of the Subordinate Lien Bonds might be impaired or diminished.

SECTION 5.22. Special Covenant With Respect to Federal Tax Status of Subordinate Lien Bonds. With respect to any Series of Subordinate Lien Bonds the interest on which is excludable from gross income for federal tax purposes, so long as any of such Subordinate Lien Bonds shall be Outstanding, the Authority shall comply with all applicable provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, as amended, and all applicable regulations of the Internal Revenue Service proposed and promulgated thereunder.

SECTION 5.23. Obeying Laws; Performance of All Obligations and Covenants Under this Resolution. The Authority shall comply promptly, fully and faithfully with and abide by any statute, law, ordinance, order, rule or regulation, judgment, decree, direction or requirement now in force or hereafter enacted, adopted or entered by any competent governmental authority or agency applicable or with respect to or affecting the acquisition, construction or reconstruction of the Airport System or any part or parcel thereof or applicable or with respect to or affecting the operation, manner or use or condition of the Airport System or any part or parcel thereof or adjoining public ways; provided that the Authority need not comply with any such statute, law, ordinance, rule, regulation, judgment, decree, direction or requirement if and so long as the Authority in good faith shall be contesting or permitting or causing to be contested the applicability or validity thereof by appropriate proceedings diligently prosecuted, even though such contest may result in the imposition of a lien or charge against the Airport System or the Revenues if (1) the Authority shall effectively prevent foreclosure or enforcement of any such lien or charge and (2) the foreclosure or enforcement of any such lien or charge shall be stayed, and if said stay thereafter expires, the Authority shall forthwith discharge such lien or charge or cause the same to be discharged, so that pending such proceedings the Airport System and the Revenues thereof shall not be affected thereby, and the security of the Subordinate Lien Bonds shall not be impaired.

The Authority shall comply with and perform, or cause to be complied with and performed, all acts, things, covenants, agreements, obligations, duties and provisions, express or implied, required to be done or performed by or on its behalf under this Resolution and Supplemental Subordinate Lien Resolutions and the Subordinate Lien Bonds, in accordance with the terms hereof and thereof.

SECTION 5.24. Taking Any Further Action Required for the Purposes of this Resolution. The Authority shall, at any and all times, adopt, make, do, execute, acknowledge, deliver, register, file and record all such other and further ordinances, resolutions, acts, deeds, demands, conveyances, assignments, transfers, assurances and instruments and give such further notices and do such further acts, as may be reasonably necessary, proper or desirable for the better assuring, pledging and assigning the Net Revenues and other monies pledged, assigned or charged hereunder or intended so to be, or which the Authority may hereafter become bound to pledge, assign or charge, or for the carrying out more effectively the purposes and intent, and the facilitating of the performance, of this Resolution.

ARTICLE VI

AMENDING AND SUPPLEMENTING THIS RESOLUTION; EXECUTION OF INSTRUMENTS BY SUBORDINATE LIEN BONDHOLDERS AND OWNERSHIP OF SUBORDINATE LIEN BONDS; MEETINGS OF BONDHOLDERS; SUBORDINATE LIEN BONDS NOT OUTSTANDING HEREUNDER

SECTION 6.01. Amending and Supplementing this Resolution Without Consent of Subordinate Lien Bondholders. The Authority, from time to time and at any time and without the consent or concurrence of the Holder of any Subordinate Lien Bond, may adopt a Supplemental Subordinate Lien Resolution (herein defined and referred to as a “Supplemental Subordinate Lien Resolution”) : (i) for the purpose of providing for the issuance of Subordinate Lien Bonds pursuant to the provisions of Sections 2.01, 2.02, 2.03, 2.04, 2.05, 2.06, 2.07 and 2.08 hereof; (ii) to make any changes or modifications hereof or amendments or additions hereto or deletions herefrom which may be required to permit this Resolution to be qualified under the Trust Indenture Act of 1939 of the United States of America; and (iii) if the provisions of such Supplemental Subordinate Lien Resolution shall not materially adversely affect the rights of the Holders of the Subordinate Lien Bonds then Outstanding, for any one or more of the following purposes:

- (1) To make any changes or corrections in this Resolution or any Supplemental Subordinate Lien Resolution as to which it shall have been advised by its counsel that the same are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained herein or in any such Supplemental Subordinate Lien Resolution, or to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable;
- (2) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Subordinate Lien Bonds;
- (3) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of this Resolution or any Supplemental Subordinate Lien Resolution;
- (4) To confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of this Resolution or any Supplemental Subordinate Lien Resolution;
- (5) To grant to or confer upon the Holders of the Subordinate Lien Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them;
- (6) To prescribe further limitations and restrictions upon the issuance of the Subordinate Lien Bonds and the incurring of indebtedness by the Authority payable from the Net Revenues; and
- (7) To modify in any other respect any of the provisions of this Resolution, or any Supplemental Subordinate Lien Resolution previously adopted; provided that such

modifications shall have no material adverse effect as to any Subordinate Lien Bond or Subordinate Lien Bonds which are then Outstanding.

Except for Supplemental Subordinate Lien Resolutions providing for the issuance of Subordinate Lien Bonds pursuant hereto or required to permit this Resolution to be qualified under the Trust Indenture Act of 1939 of the United States of America, the Authority shall not adopt any Supplemental Subordinate Lien Resolution authorized by the foregoing provisions of this section unless in the opinion of counsel (which opinion may be combined with the opinion required by Section 6.04 hereof) the adoption of such Supplemental Subordinate Lien Resolution is permitted by the foregoing provisions of this section and, except for a Supplemental Subordinate Lien Resolution adopted pursuant to subparagraph 7 above, the provisions of such Supplemental Subordinate Lien Resolution are not contrary to or inconsistent with the covenants or agreements of the Authority contained in this Resolution as originally adopted or as amended with the consent of the Subordinate Lien Bondholders.

SECTION 6.02. Amending and Supplementing this Resolution With Consent of Subordinate Lien Bondholders. With the consent of the Holders of not less than fifty-one percent (51%) of the principal amount of the Subordinate Lien Bonds then Outstanding, the Authority, from time to time and at any time, may adopt a Supplemental Subordinate Lien Resolution amending or supplementing the provisions of this Resolution for the purposes of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Resolution or of any Supplemental Subordinate Lien Resolution, or modifying in any manner the rights of the Holders of the Subordinate Lien Bonds then Outstanding; provided, however, that, without the specific consent of the Holder of each such Subordinate Lien Bond which would be affected thereby, no such Supplemental Subordinate Lien Resolution amending or supplementing the provisions hereof shall: (1) change the fixed maturity date for the payment of the principal of any Subordinate Lien Bond or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Subordinate Lien Bond or the rate of interest thereon or any premium payable upon the redemption thereof; or (2) reduce the aforesaid percentage of Subordinate Lien Bonds, the Holders of which are required to consent to any such Supplemental Subordinate Lien Resolution amending or supplementing the provisions hereof; or (3) give to any Subordinate Lien Bond or Subordinate Lien Bonds any preference over any other Subordinate Lien Bond or Subordinate Lien Bonds secured hereby; or (4) authorize the creation of any pledge of the Net Revenues or any lien thereon prior, superior or equal to the pledge and lien created herein for the payment and security of the Subordinate Lien Bonds; or (5) deprive any Holder of the Subordinate Lien Bonds of the security afforded by this Resolution. A modification or amendment of the provisions of Section 4.02 hereof with respect to the funds and accounts established thereby shall not be deemed a change in the terms of payment of the Subordinate Lien Bonds; provided, however, that no such modification or amendment shall, except upon the consent of the Holders of all Subordinate Lien Bonds then Outstanding affected thereby, reduce the amount or amounts required to be deposited from the Net Revenues to the Subordinate Lien Bond Fund or the priority of the deposits of such amounts. (Nothing herein contained, however, shall be construed as making necessary the approval of the Holders of the Subordinate Lien Bonds of the adoption of any Supplemental Subordinate Lien Resolution authorized by Section 7.01).

The proof of the giving of any consent required by this Section and of the holding of Subordinate Lien Bonds for the purpose of giving consents shall be made in accordance with the provisions of Section 6.05 hereof, and it shall not be necessary that the consents of the Holders of the Subordinate Lien Bonds approve the particular form or wording of the proposed amendment or supplement or of the Supplemental Subordinate Lien Resolution effecting such amendment or supplement, but it shall be sufficient if such consent approve the substance of the proposed amendment or supplement. After the Holders of the required percentage of Subordinate Lien Bonds shall have filed their consents to the amending or supplementing hereof pursuant to this Section, the Authority shall mail a copy of a notice of such amending or supplementing hereof, postage prepaid to each Holder of Subordinate Lien Bonds then Outstanding, at his address, if any, appearing upon the registry books, but failure to mail copies of said notice to any of said Holders shall not affect the validity of the Supplemental Subordinate Lien Resolution effecting such amendments or supplements or the consents thereto. (Nothing herein contained, however, shall be construed as requiring the giving of notice of any amending or supplementing of this Resolution authorized by the first paragraph of this section.) A record, consisting of the papers required by this paragraph, shall be proof of the matters therein stated until the contrary is proved. No action or proceeding to set aside or invalidate such Supplemental Subordinate Lien Resolution or any of the proceedings for its adoption shall be instituted or maintained unless such action or proceeding is commenced within sixty (60) days after the mailing of the notice required by this paragraph.

Notwithstanding the preceding provisions of this section, Holders of Subordinate Lien Bonds which are insured as to principal and interest shall, unless the provider of such insurance is in default with respect to its obligations with respect to such insurance, be deemed to have delegated their respective right to consent to amendments to the provider of such insurance, and the consent of such provider to amendments or supplements to this Resolution shall be in lieu of and substitution for the consent of Holders of Subordinate Lien Bonds provided herein.

SECTION 6.03. Notation upon Subordinate Lien Bonds; Subordinate Lien Bonds Delivered upon Amendments. Subordinate Lien Bond delivered after the effective date of any action taken as provided in this Article may bear a notation as to such action, by endorsement or otherwise and in form approved by the Authority. In that case, upon demand of the Holder of any Subordinate Lien Bond Outstanding at such effective date and the presentation of his Subordinate Lien Bond for the purpose at the office of a Paying Agent, transfer agent or registrar hereunder for such Subordinate Lien Bond and at such additional offices, if any, as the Authority may select and designate for that purpose, a suitable notation shall be made on such Subordinate Lien Bond. If the Authority shall so determine, new Subordinate Lien Bonds so modified as in the opinion of the Authority to conform to the amendments or supplements so consented to by the Holders of the Subordinate Lien Bonds shall be prepared, executed and delivered, and upon demand of the Holder of any Subordinate Lien Bond then Outstanding shall be exchanged without cost to such Holder, for Subordinate Lien Bonds then Outstanding, upon surrender of such Outstanding Subordinate Lien Bonds.

SECTION 6.04. Effectiveness of Supplemental Subordinate Lien Resolution. Upon the adoption pursuant to this Article and of applicable law of any Supplemental Subordinate Lien Resolution amending or supplementing the provisions of this Resolution and the rendering by counsel to the Authority of an opinion that such Supplemental Subordinate Lien Resolution is in

due form, has been duly adopted in accordance with the provisions hereof and applicable law and the provisions thereof are valid and binding upon the Authority, or upon such later date after delivery of such Supplemental Subordinate Lien Resolution and rendering of opinion as may be specified in such Supplemental Subordinate Lien Resolution, this Resolution and the Subordinate Lien Bonds shall be modified and amended in accordance with such Supplemental Subordinate Lien Resolution, and the respective rights, limitations of rights, obligations, duties and immunities under this Resolution of the Authority and of the Holders of the Subordinate Lien Bonds shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all of the terms and conditions of any such Supplemental Subordinate Lien Resolution shall be a part of the terms and conditions of the Subordinate Lien Bonds and of this Resolution for any and all purposes.

SECTION 6.05. Consent, etc., of Subordinate Lien Bondholders; Proof of Ownership of Subordinate Lien Bonds. Except for any consent, request, direction or approval related to this Resolution obtained from the Holders of a Series of Subordinate Lien Bonds in connection with the issuance and delivery of such Series, any consent, request, direction, approval, objection or other instrument required by this Resolution to be signed or executed by the Holders of Subordinate Lien Bonds may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Holders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and, subject to the provisions of Section 2.10 hereof, of the ownership of Subordinate Lien Bonds, if made in the manner hereinafter in this section set forth shall be sufficient for any of the purposes of this Resolution and shall be conclusive in favor of the Authority with regard to any action taken under such request or other instrument. The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution. The fact of ownership by any person of Subordinate Lien Bonds shall be proved by the registration books maintained pursuant hereto, and for all purposes of this Resolution and of the proceedings for the enforcement hereof and of such Subordinate Lien Bonds, such persons shall be deemed to continue to be the Holder of such Subordinate Lien Bonds until the Authority shall have received notice in writing to the contrary.

Any consent, request, direction, approval, objection or other instrument required by this Resolution to be signed or executed by the Holders of Subordinate Lien Bonds may be made by the provider of insurance, if any, as to principal and interest thereon in lieu of and substitution for the consent, request, direction, approval, objection or other instrument of such Holder unless the provider of such insurance is in default with respect to its obligations with respect to such insurance. The form of such consent and the proof of the execution thereof shall be such as is acceptable to the Authority.

Nothing contained in this section shall be construed as limiting the Authority, in its discretion, to the proof above specified, it being intended that the Authority in its discretion may accept any other evidence of the matters herein stated which to it may seem sufficient. Any consent, request, direction, approval or vote of the Holder of any Subordinate Lien Bond shall bind and be conclusive upon the Holder of such Subordinate Lien Bond giving such

consent, request, direction or approval or casting such vote and upon every future Holder of the same Subordinate Lien Bond in respect of anything done or suffered to be done by the Authority or otherwise or by the Holders of other Subordinate Lien Bonds, in pursuance of such consent, request, direction, approval or vote, and whether or not such future Holder has knowledge of or information as to such consent, request, direction, approval or vote; provided that any consent, request, direction, approval or vote of the Holder of a Subordinate Lien Bond required by any of the provisions hereof may be revoked by the Holder giving such consent, request, direction, approval or vote or by a subsequent Holder if such revocation in writing is filed with the Authority prior to the time when the consent, request, direction, approval or vote of the percentage of the Holders of the Subordinate Lien Bonds required by such provision shall have been given and action taken by the Authority or otherwise, or by the Holders of other Subordinate Lien Bonds.

SECTION 6.06. Meetings of Subordinate Lien Bondholders. The Authority or the Holders of not less than twenty percent (20%) in principal amount of the Subordinate Lien Bonds then Outstanding may at any time call a meeting of the Holders of the Subordinate Lien Bonds for any one or more of the following purposes: (1) to consent to, approve, request or direct any action required to be consented to or approved by the Holders of the Subordinate Lien Bonds hereunder (including, without limitation, to consent to amendments or supplements hereto or to waive any default or Event of Default or its consequences) or which they may request or direct hereunder to be taken; (2) to give any notices to the Authority; (3) to take any other action that Holders of the Subordinate Lien Bonds may take hereunder; and (4) for any other purposes concerning the payment, security or enforcement of the Subordinate Lien Bonds.

Every such meeting of the Holders of the Subordinate Lien Bonds shall be held at such place, in the City of New York, State of New York, or in the City of Chicago, State of Illinois, or in the City of Tucson, State of Arizona, as may be specified in the notice of such meeting, stating the place and time of the meeting and in general terms the business to be submitted shall be mailed by the Authority or the Holders of the Subordinate Lien Bonds calling such meeting, at least thirty (30) days preceding the meeting to the Holders of a Series of Subordinate Lien Bonds at their addresses as they appear on the books of registry.

Attendance and voting by Holders of Subordinate Lien Bonds at meetings thereof may be in person or by proxy. Subordinate Lien Bondholders may, by an instrument in writing under their hands, appoint any person or persons, with full power of substitution, as their proxy to attend and vote at any meeting for them. The right of a proxy for Holder of a Subordinate Lien Bond to attend a meeting and act and vote thereat may be proved (subject to the right of the Authority to require additional proof by the written instrument executed by such Holder.

Any Holder of a Subordinate Lien Bond shall be entitled in person or by proxy to attend and vote at such meeting as Holder of the Subordinate Lien Bond or Subordinate Lien Bonds registered in his name without producing such Subordinate Lien Bond or Subordinate Lien Bonds (unless the Subordinate Lien Bond or Subordinate Lien Bonds shall be registered in the name of some other person at such meeting). Such person and their proxies shall, if required, produce such proof of personal identity as shall be satisfactory to the Secretary of the meeting.

Persons named by the Authority, or elected by the Holders of a majority in principal amount of the Subordinate Lien Bond represented at the meeting in person or by proxy in the event the Authority is not represented at such meeting, shall act as temporary Chairman and temporary Secretary of any meeting of Holders of Subordinate Lien Bonds. A permanent Chairman and a permanent Secretary of such meeting shall be elected by the Holders of a majority in principal amount of the Subordinate Lien Bonds represented at such meeting in person or by proxy. The permanent Chairman of the meeting shall appoint two Inspectors of Votes. All instruments appointing proxies presented at such meeting shall be delivered to the Inspectors of Votes and filed with the Secretary of the meeting. The Inspectors of Votes shall count all votes cast at such meeting except votes on the election of Chairman and Secretary as aforesaid, and shall make and file with the Secretary of the meeting and the Authority their verified report of all such votes cast at the meeting.

Officers or nominees of the Authority may be present or represented at any meeting of the Holders of the Subordinate Lien Bond and take part therein, but shall not be entitled to vote thereat, except for such officers or nominees who are Holders of Subordinate Lien Bonds or proxies for Holders of Subordinate Lien Bonds.

The Holders of the same principal amount of the Subordinate Lien Bonds required by other provisions hereof to consent to, approve, request or direct any action proposed to be taken at a meeting of Holders of the Subordinate Lien Bonds, or required by other provisions hereof to take any other action proposed to be taken at such meeting, must be present at such meeting in person or by proxy in order to constitute a quorum for the transaction of such business, less than a quorum, however, having power to adjourn the meeting from time to time without other notice of such adjournment than the announcement thereof at the meeting; provided, however, that if such meeting is adjourned by less than a quorum for more than ten (10) days, notice of such adjournment shall be mailed to all Subordinate Lien Bondholders by the Authority or the Holders of the Subordinate Lien Bonds calling the meeting at least five (5) days prior to the adjourned date of the meeting.

The votes of the Holders of the same principal amount of the Subordinate Lien Bonds required by other provisions hereof to consent to, approve, request or direct any action hereunder shall be required to consent to, approve, request or direct any such action taken at a meeting of the Holders of the Subordinate Lien Bonds. The vote at any such meeting of the Holder of any Subordinate Lien Bond, or his proxy, entitled to vote thereat, shall be binding upon such Holder and upon every subsequent Holder of such Bond (whether or not such subsequent Holder has notice thereof) if the voters of the required percentage of the Holders of the Subordinate Lien Bonds have been cast and action taken by the Authority or by the Holders of other Subordinate Lien Bonds under authority of such votes.

SECTION 6.07. Certain Subordinate Lien Bonds Deemed Not Outstanding Hereunder. In determining whether the Holders of the requisite aggregate principal amount of Subordinate Lien Bonds have consented to the amending or supplementing of this Resolution as provided in Section 6.05 hereof or have concurred in any waiver of an Event of Default as defined in Section 7.01 hereof, or have concurred in any other direction or consent regarding this Resolution, Subordinate Lien Bonds which are owned or controlled directly or indirectly by the Authority or by the City of Tucson, Arizona, shall be disregarded and deemed not to be

Outstanding for the purpose of any such determination, except for the purpose of determining whether the Authority shall be protected in relying on any such waiver, direction or consent, only Subordinate Lien Bonds which the Authority knows are so owned shall be so disregarded.

ARTICLE VII

DEFAULTS AND REMEDIES

SECTION 7.01. Events of Default. Each of the following is hereby defined as and declared to be and shall constitute an “Event of Default”:

(a) If payment of any installment of interest on any Subordinate Lien Bond shall not be made when the same shall become due and payable; or

(b) If payment of the principal and premium (if any) of any Subordinate Lien Bond, whether at maturity or by proceedings for redemption (whether by voluntary redemption or redemption from the Term Bond Principal Account in the Subordinate Lien Bond Fund), shall not be made when the same shall become due and payable; or

(c) If the credits to the Term Bond Principal Account in the Subordinate Lien Bond Fund shall not be made or satisfied in any twelve-months’ period in the amount required for such period by a Supplemental Subordinate Lien Resolution and such failure shall have continued for sixty (60) days after the expiration of such period; or

(d) If a default shall occur in the performance or observance by the Authority of the covenants, agreements and conditions contained in Section 5.03 (except as provided in subsection 3 of said Section) ; or

(e) If the Authority shall fail in the due and punctual performance or any other of the covenants, conditions, agreements and provisions contained in the Subordinate Lien Bonds or in this Resolution (other than as described in (a) through (d) above) or in any Supplemental Subordinate Lien Resolution on the part of the Authority to be performed, and such failure shall continue for ninety (90) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Holders of not less than twenty percent (20%) in principal amount of the Subordinate Lien Bonds then Outstanding or any committee therefor; provided that if any such failure shall be such that it cannot be cured or corrected within such ninety day period, it shall not constitute an Event of Default hereunder if curative or corrective action is instituted within said period and diligently pursued until the failure of performance is cured or corrected; or

(f) If any proceedings shall be instituted with the consent or acquiescence of the Authority for the purpose of effecting a composition between the Authority and its creditors and if the claim of such creditors is in any circumstance payable from any of the Revenues or any other monies pledged and charged herein or in any Supplemental Subordinate Lien Resolution or for the purpose of adjusting the claims of such creditors, pursuant to any Federal or State statute now or hereafter enacted; or

(g) If an order or decree shall be entered (i) with the consent or acquiescence of the Authority, appointing a receiver or receivers of the Airport System or any of the buildings and facilities thereof, or (ii) without the consent or acquiescence of the Authority appointing a receiver or receivers of the Airport System or any of the buildings and facilities thereof and such order or decree, having been entered, shall not be vacated or discharged or stayed on appeal within sixty (60) days after the entry thereof; or

(h) If, under the provisions of any applicable bankruptcy laws or any other law for the relief or aid of debtors, (i) any court of competent jurisdiction shall assume custody or control of the Airport System or any of the buildings and facilities thereof, and such custody or control shall not be terminated within ninety (90) days from the date of assumption of such custody or control; or (ii) any court of competent jurisdiction shall approve of any petition for the reorganization of the Airport System or rearrangement or readjustment of the obligations of the Authority hereunder; or

(i) If the Authority shall for any reason be rendered incapable of fulfilling its obligations hereunder.

The Trustee shall give written notice by mail to all the Holders of Subordinate Lien Bonds as their names and addresses appear upon the books of registry of all Events of Default known to the Trustee, within thirty (30) days after the occurrence thereof, unless the Event of Default shall have been cured before the giving of such notice.

SECTION 7.02. Action of Trustee in Event of Default. Upon the occurrence of an Event of Default of which the Trustee has actual knowledge and at all times thereafter while such default shall continue, the Trustee shall become vested with all the estate, properties, rights, trusts, duties and obligations of the Trustee hereunder and shall enter into and take possession of, or supervision over, the funds and accounts continued or created under this Resolution, including any Construction Fund created under any Supplemental Subordinate Lien Resolution, and collect and receive and apply all Net Revenues and other monies held hereunder in the same manner as the Authority itself might do, and shall act in place of the Authority in the exercise of all rights and duties of the Authority hereunder.

The Trustee in case of an Event of Default may, and upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Subordinate Lien Bonds then Outstanding, and upon being indemnified to its satisfaction, shall, exercise any or all of the following remedies to the extent that the same shall then be legally available:

(a) The Trustee may proceed to protect and enforce its rights and the rights of the Holders of the Subordinate Lien Bonds by a suit or suits in equity, in bankruptcy or at law, either in mandamus or for the specific performance of any covenant or agreement contained herein or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee, being advised by counsel, may deem most effectual to protect and enforce any of the rights or interests under the Subordinate Lien Bonds and/or this Resolution. The Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered (i) to institute any action or proceedings at law or in equity for the collection of all fees and charges, rents or

sums, as the case may be, due and unpaid under any lease or other agreement to which the Authority is a party, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final decree against the other party to such lease or other agreement and collect in the manner provided by law out of the property of such party wherever situated the monies adjudged or decreed to be payable, and (ii) to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Trustee and of the Holders of the Subordinate Lien Bonds allowed in any equity, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization or other similar proceedings relative to the Authority or any party to a lease or agreement with the Authority. All rights of action under this Resolution or under any of the Subordinate Lien Bonds may be enforced by the Trustee without the possession of any of the Subordinate Lien Bonds or the production thereof on any trial or other proceeding relative thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, and any recovery of judgment shall be for the ratable benefit of the Holders of the Subordinate Lien Bonds;

(b) The Trustee may proceed by appropriate proceedings in any court of competent jurisdiction in the Event of Default in the payment of principal of or interest on any Subordinate Lien Bonds, to obtain the appointment of a receiver for the Airport System, which receiver may enter upon and take possession of the Airport System and fix rates and charges and collect all Revenues arising therefrom in as full a manner and to the same extent as the Authority itself might do. The receiver shall collect and dispose of Revenues in accordance with the terms and conditions of the Senior Lien Bond Resolution and this Resolution or as the court shall direct.

The Trustee is hereby appointed, and the Holders of the Subordinate Lien Bonds from e to time shall be conclusively deemed to have so appointed the Trustee, the true and lawful attorney in fact of the respective Holders of the Subordinate Lien Bonds, with authority to make or file, in the respective names of the Holders of the Subordinate Lien Bonds, with or on behalf of all Holders of the Subordinate Lien Bonds, as a class, any proof of debt, amendment to proof of debt, petition or other documents; to receive payment of all sums becoming distributable on account thereof; and to execute any other papers and documents and to do and perform any and all acts and things for and on behalf of all Holders of the Subordinate Lien Bonds as a class, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claims of the Holders of the Subordinate Lien Bonds against the Authority allowed in any equity receivership, insolvency, liquidation, bankruptcy or other proceedings to which the Authority shall be a party. The Trustee shall have full power of substitution and delegation in respect of any such powers.

SECTION 7.03. Effect of Delay or Omission; Waiver of Default. No delay or omission of the Trustee or of any Holder of any of the Subordinate Lien Bonds to exercise any right or power arising from any default on the part of the Authority shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Trustee or Subordinate Lien Bondholders of any such default, whether such waiver be full or partial, shall extend to or be taken to effect any subsequent default, or to impair the rights resulting therefrom, except as may be exclusive of any other remedy but each and every remedy

shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing.

SECTION 7.04. Suits or Actions by Subordinate Lien Bondholders. No Subordinate Lien Bondholder shall have any right to institute or prosecute any suit or proceeding at law or in equity for the appointment of a receiver of the Authority, for the enforcement of any of the provisions hereof or of any remedies hereunder unless the Trustee, after a request in writing by the Holders of twenty-five percent (25%) in aggregate principal amount of the Outstanding Subordinate Lien Bonds, and after the Trustee shall have been assured such reasonable indemnity as it may require, shall have neglected for sixty (60) days to take such action; provided, however, that the right of any Holder of any Subordinate Lien Bond to receive payment of principal or interest, or both, on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the consent of such Holder.

SECTION 7.05. Subordinate Lien Bondholders' Committee. If an Event of Default shall have occurred and be continuing, and the Trustee shall have failed or refused to comply with the written request or direction of the Holders of the Subordinate Lien Bonds in accordance with Section 7.05 hereof, the Holders of not less than twenty percent (20%) in principal amount of the Subordinate Lien Bonds then Outstanding may call a meeting of the Holders of Subordinate Lien Bonds for the purpose of electing a Subordinate Lien Bondholders' Committee. Such meeting shall be called and proceedings thereat shall be conducted as provided for other meetings of Subordinate Lien Bondholders pursuant to Section 6.06 hereof. At such meeting the Holders of not less than a majority in principal amount of the Subordinate Lien Bonds Outstanding must be present in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting. A quorum being present at such meeting the Subordinate Lien Bondholders present in person or by proxy may, by a majority of the votes cast, elect one or more persons, who may or may not be Subordinate Lien Bondholders, to the Subordinate Lien Bondholders' Committee which shall act as trustee for all Subordinate Lien Bondholders. The Subordinate Lien Bondholders present in person or by proxy at said meeting, or at any adjourned meeting thereof, (i) shall prescribe the manner in which the successors of the persons elected to the Subordinate Lien Bondholders' Committee at such Bondholders' meeting shall be elected or appointed; (ii) may prescribe rules and regulations governing the exercise by the Subordinate Lien Bondholders' Committee of the power conferred upon it herein; and (iii) may provide for the termination of the existence of the Subordinate Lien Bondholders' Committee. The Subordinate Lien Bondholders' Committee elected by the Subordinate Lien Bondholders in the manner herein provided, and their successors, as a committee, are hereby declared to be trustees for the Holders of all the Subordinate Lien Bonds then Outstanding, and are empowered to exercise in the name of the Subordinate Lien Bondholders' Committee, as trustee, all the rights and powers conferred on the Trustee or any Subordinate Lien Bondholder.

ARTICLE VIII

SPECIAL OBLIGATION BONDS

SECTION 8.01. Special Obligation Bonds and Special Facility Agreements. Anything in this Resolution to the contrary notwithstanding, the Authority may issue bonds, notes or other evidences of indebtedness for the purpose of acquiring, constructing, renovating, remodeling or rehabilitating a Special Facility (as defined in the Senior Lien Bond Resolution) in accordance with and as permitted by the Senior Lien Bond Resolution.

ARTICLE IX

DEFEASANCE; MONIES HELD FOR PAYMENT OF DEFEASED SUBORDINATE LIEN BONDS

SECTION 9.01. Discharge of Liens and Pledges; Subordinate Lien Bonds No Longer Outstanding Hereunder. The obligations of the Authority under this Resolution, including all Supplemental Subordinate Lien Resolutions, and the liens, pledges, charges, trusts, assignments, covenants and agreements of the Authority herein or therein made or provided for, shall be fully discharged and satisfied as to any Subordinate Lien Bond and such Subordinate Lien Bond shall no longer be deemed to be Outstanding hereunder and thereunder,

(i) when such Subordinate Lien Bond shall have been cancelled, or shall have been purchased by the Authority from monies in the Subordinate Lien Bond Fund, or

(ii) as to any Subordinate Lien Bond not cancelled or so purchased, when payment of the principal of and the applicable redemption premium or price, if any, on such Subordinate Lien Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment or otherwise), either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with a Paying Agent for such Subordinate Lien Bond, in trust and irrevocably appropriated and set aside exclusively for such payment, (1) monies sufficient to make such payment, (2) Governmental Obligations (as defined hereinafter in this section), or (3) any combination thereof maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient monies to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agents pertaining to the Subordinate Lien Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of said Paying Agents.

At such time as a Subordinate Lien Bond shall be deemed to be no longer Outstanding hereunder, as aforesaid, such Subordinate Lien Bond shall cease to draw interest from the due date thereof (whether such due date be by reason of maturity, or upon redemption or prepayment or by declaration as aforesaid, or otherwise) and, except for the purposes of any such payment from such monies or Governmental Obligations, shall no longer be secured by

or entitled to the benefits of this Resolution, including all Supplemental Subordinate Lien Resolutions.

Notwithstanding the foregoing, in the case of the Subordinate Lien Bonds which by their terms may be redeemed or otherwise prepaid prior to their stated maturities from the monies or securities deposited in accordance with this section, no deposit under clause (b) of subparagraph (ii) above shall constitute such payment, discharge and satisfaction as aforesaid, until proper notice of such redemption or prepayment shall have been previously given in accordance with Section 2.10 hereof or satisfactory provision shall have been irrevocably made for the giving of such notice.

Any such monies so deposited with a Paying Agent as provided in this section may at the direction of the Authority also be invested and reinvested in Governmental Obligations, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Governmental Obligations in the hands of the Paying Agents pursuant to this section which is not required for the payment of the Subordinate Lien Bonds and interest and premium thereon with respect to which such monies shall have been so deposited, shall be paid to the Authority and deposited in the Revenue Fund as and when realized and collected for use and application as are other monies deposited in that Fund.

Notwithstanding the foregoing, the payment of (i) the purchase price of or accrued interest on any Variable Rate Subordinate Lien Bonds tendered for purchase pursuant to the terms of a Supplemental Subordinate Lien Resolution or the Remarketing Agreement, or similar agreement, or (ii) principal of, redemption premium or price, if any, or interest on any Variable Rate Subordinate Lien Bonds upon redemption, acceleration or when due and payable with a draw, borrowing or payment under a Support Facility shall not be deemed payment pursuant to Section 9.01 hereof; provided, however, that with respect to (ii) above, a reimbursement or other payment by the Authority with respect to a draw, borrowing or payment under a Support Facility for the payment of principal of, premium, if any, or interest on Variable Rate Subordinate Lien Bonds upon redemption, acceleration or when due and payable may be deemed to be payment for the purposes of Section 9.01.

Notwithstanding any provision of any other section of this Resolution which may be contrary to the provisions of this section, all monies or Governmental Obligations set aside and held in trust pursuant to the provisions of this section for the payment of Subordinate Lien Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Subordinate Lien Bond (including interest and premium thereon, if any) with respect to which such monies and Governmental Obligations have been so set aside in trust.

Anything in Article VI hereof to the contrary notwithstanding, if monies or Governmental Obligations have been deposited or set aside with a Paying Agent pursuant to this section for the payment of Subordinate Lien Bonds and such Subordinate Lien Bonds shall be deemed to have been paid and be no longer Outstanding hereunder as provided in this section, but such Subordinate Lien Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this section shall be made without the consent of the Holder of each Subordinate Lien Bond affected thereby.

SECTION 9.02. Subordinate Lien Bonds Not Presented for Payment When Due; Monies Held for the Subordinate Lien Bonds after Due Date of Subordinate Lien Bonds. If any Subordinate Lien Bond shall not be presented for payment when the principal thereof shall become due, whether at maturity or at the date fixed for the redemption thereof or upon declaration as provided in this Resolution, or otherwise, and if monies or Governmental Obligations shall at such due date be held by a Paying Agent therefor, in trust for that purpose and sufficient and available to pay the principal and the premium, if any, of such Subordinate Lien Bond, together with all interest due thereon to the due date thereof or to the date fixed for redemption thereof, all liability of the Authority for such payment shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of such Paying Agent to hold said monies or Governmental Obligations, without liability to such Subordinate Lien Bondholder for interest thereon, in trust for the benefit of the Holder of such Subordinate Lien Bond, who thereafter shall be restricted exclusively to said monies or Governmental Obligations for any claim of whatever nature on his part on or with respect to said Subordinate Lien Bond, including for any claim for the payment thereof. Any such monies or Government Obligations held by a Paying Agent for the Subordinate Lien Bondholders of such Subordinate Lien Bonds for three (3) years after the principal of the respective Subordinate Lien Bonds with respect to which such monies or Government Obligations have been so set aside has become due and payable and remains unpaid (whether at maturity or upon redemption or prepayment or otherwise) shall be paid to the Authority and unless demand for the payment of such Subordinate Lien Bonds shall have been made, the obligation thereon shall be extinguished and such Subordinate Lien Bonds shall be deemed no longer Outstanding; provided, however, that before the repayment of such monies to the Authority as aforesaid, the Paying Agent may (at the cost of the Authority) first mail to the Subordinate Lien Bondholders of any Subordinate Lien Bonds remaining unpaid at the addresses shown on the books of registry maintained by the Registrar a notice, in such form as may be deemed appropriate by the Paying Agent, with respect to the Subordinate Lien Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the monies held for the repayment thereof.

ARTICLE X

FORMS OF SUBORDINATE LIEN BONDS, ENDORSEMENT AND ASSIGNMENT PROVISIONS, CERTIFICATE OF AUTHENTICATION

SECTION 10.01. Forms of Subordinate Lien Bonds, Endorsement and Assignment Provisions, Certificate of Authentication. The form or forms of Subordinate Lien Bond for a particular Series of Subordinate Lien Bonds, the form or forms of the certificate of authentication thereof, the form or forms of endorsement to appear thereon and the form or forms of assignment thereof shall be in the forms set forth in the Supplemental Subordinate Lien Resolution providing for the issuance of such Series of Subordinate Lien Bonds.

ARTICLE XI

CONCERNING THE TRUSTEE AND THE PAYING AGENTS

SECTION 11.01. Appointment of Trustee; Removal Thereof; Qualifications of Successor Thereeto. The Trustee is hereby appointed as the initial Trustee hereunder. Such Trustee shall

execute, acknowledge and deliver to the Authority an instrument in writing accepting such appointment and the estate, properties, rights, powers, trusts, duties and obligations of the Trustee hereunder; provided, however, that prior to the occurrence of an Event of Default hereunder the Trustee shall have no duties and obligations as trustee hereunder other than to act as Paying Agent or as Registrar if so appointed hereunder or in a Supplemental Subordinate Lien Resolution and upon the occurrence of an Event of Default hereunder of which it has actual knowledge all such estate, properties, rights, powers, trusts, duties and obligations granted to the Trustee hereunder shall vest in the Trustee unless and until all such Events of Default shall have been cured in accordance with Article VII hereof. Any successor Trustee shall become fully vested with all the rights, powers, trusts, duties and obligations of the Trustee without any further act, deed, or conveyance, other than succeeding to office, but any such successor shall nevertheless execute, acknowledge and deliver to the Authority, an instrument in writing accepting the estate, properties, rights, powers, trusts, duties and obligations of the Trustee hereunder.

The Trustee may be removed as trustee hereunder at the request of and upon the affirmative vote of the Holders of a majority of the principal amount of Subordinate Lien Bonds outstanding. In the event of the removal or refusal to act of the Trustee, a successor may be appointed by the Holders of a majority of the principal amount of Subordinate Lien Bonds outstanding, excluding any Subordinate Lien Bonds held by or for the account of the Authority, and such successor shall have all the powers and obligations of the Trustee as trustee hereunder theretofore vested in the Trustee; provided, that unless a successor Trustee shall have been appointed by the Holders of Subordinate Lien Bonds as aforesaid, the Authority by a duly executed written instrument, shall forthwith appoint a trustee to fill such vacancy until a successor Trustee shall be appointed by the Holders of Subordinate Lien Bonds as authorized in this Section 11.01. Any successor Trustee appointed by the Authority shall, immediately and without further action, be superseded by a trustee appointed by the Holders of Subordinate Lien Bonds. Any successor Trustee shall be a corporation organized and doing business under the laws of the United States or of any State of the United States whose principal office is located in Arizona or New York which (a) is authorized under such laws to exercise corporate trust power, (b) is subject to supervision or examination by Federal or state authority, and (c) shall have at all times a combined capital and surplus of not less than one hundred million dollars.

If such Trustee publishes reports of condition at least annually, pursuant to law or to the requirements of a supervising or examining authority of the United States of America, or any state, then for the purposes of determining its qualifications hereunder, the capital stock, surplus and undivided profits of the trustee at any time shall be deemed to be its capital stock, surplus and undivided profits as set forth in its most recent report of condition so published.

The Trustee or any successor may resign as trustee hereunder at any time by giving not less than sixty (60) days' notice to the Authority and by mailing a notice of resignation within ten (10) days after the giving of such notice to the Authority to the Holders of the Subordinate Lien Bonds, and thereupon the Authority, in the manner prescribed above, shall, unless an Event of Default shall have occurred and be continuing, appoint a successor Trustee.

If within fifty (50) days after the mailing of notice of such Trustee's resignation as trustee hereunder no successor Trustee shall have been appointed and shall have accepted such

appointment, such trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Holder of a Subordinate Lien Bond who has been a bona fide Holder of a Subordinate Lien Bond for at least six (6) months may, on behalf of himself or itself and others similarly situated, petition any such court for the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby.

In case at any time any of the following shall occur: (1) any such Trustee hereunder shall cease to be eligible in accordance with the provisions hereof and shall fail to resign after written request therefor has been given to such Trustee by the Authority or by any Holder of a Subordinate Lien Bond who has been a bona fide Holder of a Subordinate Lien Bond for at least six (6) months, or (2) any such Trustee hereunder shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver for such Trustee or of its property shall be appointed, or any public officer shall take charge or control of such Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, the Authority may remove such Trustee by an instrument in writing or any such Holder of a Subordinate Lien Bond may, on behalf of himself or itself and all others similarly situated, petition any court of competent jurisdiction for the removal of such Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, remove such Trustee.

Any such Trustee shall execute, acknowledge and deliver to its predecessor, and also to the Authority, an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all the rights, powers, trusts, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named as trustee; but such predecessor shall, nevertheless, on the written request of the Authority or such successor Trustee, execute and deliver an instrument transferring to such successor Trustee all rights, powers, trusts, duties and obligations of such predecessor in trust hereunder and shall deliver all monies held by it to such successor Trustee, together with an accounting of funds held by it hereunder. The successor Trustee shall have no responsibility for the acts of the predecessor Trustee.

Upon acceptance of appointment by a successor Trustee as provided in this Section 11.01, the Authority shall mail notice of the succession of such Trustee to the trusts hereunder to the Holders of the Subordinate Lien Bonds. If the Authority shall fail to mail such notice within ten (10) days after acceptance of appointment by a successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any successor Trustee may sell or transfer all or substantially all of its corporate trust business, shall be the successor Trustee hereunder without the execution or filing of any paper or any further act on the part of the Authority, anything herein to the contrary notwithstanding; provided such corporation meets the qualifications set forth in this section.

The Trustee may be removed by the Authority at any time; provided, however, that (i) such removal is subject to revocation by Subordinate Lien Bondholders of not less than ten percent (10%) of the Subordinate Lien Bonds then Outstanding and (ii) such removal may not be effected if (A) an Event of Default (as defined in Section 7.01) has occurred and is continuing, or (B) there is any deficiency in any fund or account held under this Resolution or the Senior Lien Bond Resolution. The Trustee shall mail notice of removal pursuant to this paragraph, postage prepaid, not less than fifteen (15) days after receipt of notification of removal from the Authority, to the registered owners of all Subordinate Lien Bonds Outstanding at their addresses appearing upon the registry books. Such notice shall state the procedures set forth in this paragraph for revocation of such removal. Failure to receive any such notice of removal shall not affect the proceedings for removal hereunder. Nothing shall prevent the Authority from sending a notice of revocation to all Subordinate Lien Bondholders, in the event the Trustee refuses or fails to mail such notice or otherwise; provided that in the event the Trustee refuses or fails to mail such notice, the date of mailing of the Authority's notice shall be controlling for the purposes of determining the period within which notices of revocation must be received, otherwise, the date of the Trustee's notice shall be controlling. Any notices of revocation of removal must be sent by Subordinate Lien Bondholders to the Trustee, or, if directed by the Authority, an independent trustee selected by the Authority, by registered or certified mail, return receipt requested, and must be received within one hundred and eighty (180) days from the mailing of such notice to Subordinate Lien Bondholders. Subordinate Lien Bonds held or owned by or on behalf of the Trustee and Subordinate Lien Bonds described under Section 6.07 hereof shall not be Outstanding for the purposes of submission of Subordinate Lien Bondholder revocations pursuant to this paragraph.

SECTION 11.02. Duties of Trustee; Reliance on Certificates and Opinions. Notwithstanding anything in this Resolution or in any Supplemental Subordinate Lien Resolution to the contrary, prior to an Event of Default as defined in Section 7.01 hereof of which the Trustee as trustee hereunder has actual knowledge, and after the curing or waiving of all such Events of Default, the Trustee (1) shall have no duties or obligations under this Resolution or any Supplemental Subordinate Lien Resolution, except to receive the annual audit of the Accountant required by Section 5.15; and (2) may, in the absence of bad faith, conclusively rely upon certificates or opinions conforming to the requirements of this Resolution as to the truth of the statements and the correctness of the opinions expressed therein. In case of an Event of Default as defined in Section 7.01 hereof of which the Trustee has actual knowledge, the Trustee shall exercise such rights and powers vested in it by this Resolution, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Resolution shall be construed to relieve the Trustee acting as trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that the Trustee shall at all times: (1) be protected from liability for any error of judgment made in good faith by a responsible officer or officers unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and (2) be protected with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in principal amount of the Subordinate Lien Bonds then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or to be taken by it, or exercising any trust

or power conferred upon the Trustee, under this Resolution. The Trustee shall be protected when acting in good faith and upon advice of counsel who may be counsel to the Authority.

SECTION 11.03. Evidence of Compliance With the Conditions Precedent; Examination of Evidence. The Authority will furnish, or will cause to be furnished, to the Trustee evidence of compliance with the conditions precedent, if any, provided in this Resolution (including any covenant compliance with which constitutes a condition precedent) which relate to any action to be taken by the Trustee at the request or upon the application of the Authority. The Trustee shall examine such evidence, and any evidence furnished to it pursuant to any other provisions of this Resolution, to determine whether or not such evidence conforms to the requirements of this Resolution.

SECTION 11.04. Statement by Trustee of Funds and Accounts and Other Matters. Not more than one hundred twenty (120) days after the close of each Fiscal Year, if any, during which an Event of Default has occurred or is continuing, the Trustee hereunder shall furnish the Authority and any Subordinate Lien Bondholder filing with the Trustee a written request therefor, a statement setting forth (to the extent applicable) in respect to such Fiscal Year, (a) all transactions relating to the receipt, disbursement and application of all monies received by the Trustee pursuant to the terms of this Resolution, (b) the amount held by the Trustee at the end of such Fiscal Year to the credit of the funds and accounts continued or created hereunder and (c) a brief description of all obligations held by the Trustee as an investment of monies in the funds and accounts continued or created hereunder as of the end of the such Fiscal Year.

SECTION 11.05. Trustee Hereunder Not Liable for Acts of Authority or Other Trustees; No Representations by Trustee. The Trustee shall not be responsible or have any liability for any act of the Authority or of any other trustee. The Trustee shall not be responsible in any manner whatsoever for the correctness of the recitals, statements and representations in this Resolution or in the Subordinate Lien Bonds. The Trustee makes no representations as to the validity of this Resolution or of the Subordinate Lien Bonds issued hereunder, and the Trustee shall not incur any liability or responsibility in respect of any such matters.

SECTION 11.06. Paying Agents; Paying Agents to Hold Monies in Trust. The Authority shall provide in the Supplemental Subordinate Lien Resolution authorizing each series of Additional Subordinate Lien Bonds for the appointment of a principal Paying Agent and such additional Paying Agents as the members of the Authority shall deem appropriate. Principal of and premium, if any, on all Subordinate Lien Bonds of a particular series, shall be payable at the principal office of the principal Paying Agent therefor. Interest on all Subordinate Lien Bonds shall be payable by check or draft mailed, by wire transfer or in any other manner provided by the Supplemental Subordinate Lien Resolution authorizing such series of Subordinate Lien Bonds, to the registered Holder thereof at his address as it appears on the books of registry and except that any Series of Subordinate Lien Bonds issued in book-entry form and the interest thereon shall be payable as provided in the Supplemental Subordinate Lien Resolution authorizing such Series of Subordinate Lien Bonds. The Authority shall notify the Trustee of each Paying Agent appointed for a Series of Subordinate Lien Bonds.

In the event the Authority determines it is in the best interest of the Authority it may replace any Paying Agent appointed pursuant to this Resolution or any Supplemental Subordinate Lien Resolution.

Each Paying Agent shall hold in trust for the benefit of the Holders of the Subordinate Lien Bonds all sums held by such Paying Agent for the payment of the principal of and interest on the Subordinate Lien Bonds. Such Paying Agent shall give to the Trustee notice of any default by the Authority in the making of any such payment.

SECTION 11.07. Trustee, Registrars, Paying Agents and Securities Depository May Buy, Hold, Sell or Deal in Subordinate Lien Bonds and Other Indebtedness of Authority. Any Trustee, Registrar, Paying Agent and securities depository and their respective directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Subordinate Lien Bonds issued under the provision of this Resolution and may join in any action which any Holder of a Subordinate Lien Bond may be entitled to take, with like effect as if the Trustee, Registrar, Paying Agent or security depository were not a Trustee, a Registrar, a Paying Agent or a securities depository, as the case may be, under this Resolution. Any Trustee, Registrar, Paying Agent and securities depository may in good faith hold any other form of indebtedness of the Authority; own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the Authority; make disbursements for the Authority; and enter into any commercial or business arrangement with Authority.

SECTION 11.08. Reimbursement of Trustee, Registrars and Paying Agents Hereunder for Fees, Expenses and Charges. The Trustee shall be entitled to reasonable fees and reimbursement by the Authority for all expenses, charges, counsel fees and other disbursements reasonably incurred by it in the performance of its duties and powers under this Resolution, including those of its attorneys, agents and employees in such manner as may be agreed to with the Authority. After the occurrence of an Event of Default, the Trustee shall be entitled to the aforesaid fees and reimbursement, whether or not agreed to with the Authority. Each Registrar and each Paying Agent shall also be entitled to reasonable fees and to reimbursement by the Authority for all expenses and charges reasonable incurred by it in the performance of its duties hereunder in such manner as may be agreed to with the Authority.

ARTICLE XII

MISCELLANEOUS

SECTION 12.01. No Personal Liability. No director of the Authority and no officer or employee thereof shall be individually or personally liable for the payment of the principal of or interest or premium on the Subordinate Lien Bonds; but nothing herein contained shall relieve any such director, officer or employee from the performance of any duty provided or required by law, including by this Resolution.

SECTION 12.02. Limitation of Rights. With the exception of rights or benefits herein expressly conferred, nothing expressed or mentioned in or to be implied from this Resolution or the Subordinate Lien Bonds is intended or shall be construed to give to any person other than the Authority and the Holders of the Subordinate Lien Bonds, any legal or equitable right, remedy or

claim under or in respect to this Resolution or any covenants, conditions and provisions herein contained; this Resolution and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the Authority and the Holders of the Subordinate Lien Bonds as herein provided.

SECTION 12.03. Laws Governing; Severability. This Resolution shall be construed and enforced in accordance with the Constitution and laws of the State of Arizona.

If any provision of this Resolution shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses, paragraphs or sections in this Resolution shall not affect the remaining portions of this Resolution or any part thereof.

SECTION 12.04. Effect of Saturdays, Sundays and Legal Holidays. Whenever this Resolution or a Subordinate Lien Bond requires any action to be taken on a Saturday, Sunday or legal holiday, such action shall be taken on the first business day occurring thereafter. Whenever in this Resolution or a Subordinate Lien Bond the time within which any action is required to be taken or within which any right will lapse or expire shall terminate on a Saturday, Sunday or legal holiday, such time shall continue to run until midnight on the next succeeding business day.

SECTION 12.05. Section Headings; Table of Contents. The headings or titles of the several sections hereof, and any table of contents appended hereto or to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Resolution.

SECTION 12.06. Effectiveness of this Resolution. This Resolution shall become effective upon its adoption.

TUCSON AIRPORT AUTHORITY, INC.

**2018 AMENDED AND RESTATED SENIOR LIEN AIRPORT REVENUE BOND
RESOLUTION**

Adopted September 12, 2018

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A RESOLUTION AMENDING A RESOLUTION ADOPTED ON DECEMBER 4, 1990, AUTHORIZING THE ISSUANCE OF SENIOR LIEN AIRPORT REVENUE BONDS OF THE TUCSON AIRPORT AUTHORITY, INC.; AS PREVIOUSLY AMENDED, AND RESTATING IN FULL SUCH RESOLUTION, AS AMENDED.

WHEREAS, on December 4, 1990, the Board of Directors of Tucson Airport Authority, Inc. (the "Authority"), adopted a resolution entitled: "A RESOLUTION AUTHORIZING THE ISSUANCE OF AIRPORT REVENUE BONDS OF THE TUCSON AIRPORT AUTHORITY, INC.; PRESCRIBING THE LIMITATIONS ON AND THE CONDITIONS OF ISSUANCE AND THE FORM OF SUCH BONDS, PROVIDING FOR THE DETAILS OF SUCH BONDS; COVENANTING AS TO THE REVENUES, INCOME AND CHARGES OF SAID AUTHORITY AND THE USE AND APPLICATION OF SUCH REVENUES, INCOME AND CHARGES; PLEDGING SUCH REVENUES, INCOME AND CHARGES TO THE PAYMENT OF THE PRINCIPAL, PREMIUM, IF ANY, AND INTEREST ON SUCH BONDS AND LIMITING SUCH PAYMENT SOLELY TO SUCH REVENUES, INCOME AND CHARGES; AND MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING" (the "1990 Resolution"); and

WHEREAS, pursuant to Supplemental Senior Lien Resolution (hereinafter defined) adopted on December 4, 1990, the Authority has issued its Airport Revenue Bonds, Series 1990A, Series 1990B and Series 1990C (collectively, the "1990 Bonds"), which bonds have been redeemed and retired and are no longer outstanding under the 1990 Resolution; and

WHEREAS, pursuant to Supplemental Senior Lien Resolution adopted on March 3, 1993, the Authority has issued its Airport Revenue Bonds, Series 1993, which bonds have been redeemed and retired and are no longer outstanding under the 1990 Resolution; and

WHEREAS, the 1990 Resolution was amended by a resolution adopted by the Board of Directors of the Authority on July 11, 2001 (the "2001 Amendment"); and

WHEREAS, pursuant to Supplemental Senior Lien Resolution adopted on July 11, 2001, the Authority has issued its Airport Revenue Bonds, Refunding Series 2001A, Refunding Series 2001B, and Refunding Series 2001C, which bonds have been redeemed and retired and are no longer outstanding under the 1990 Resolution; and

WHEREAS, pursuant to Supplemental Senior Lien Resolution adopted on October 1, 2002, the Authority has issued its Airport Revenue Bonds, Refunding Series 2003, which bonds have been redeemed and retired and are no longer outstanding under the 1990 Resolution; and

WHEREAS, the 1990 Resolution, as amended by the 2001 Amendment, was further amended and restated by a resolution adopted by the Board of Directors of the Authority on November 28, 2006 (the "2006 Senior Lien Bond Resolution"); and

WHEREAS, there are no bonds currently outstanding under the 2006 Senior Lien Resolution and it is now determined to be in the best interests of the Authority to make additional amendments to

the 2006 Amended and Restated Senior Lien Bond Resolution and to restate said resolution, as amended, by adopting this 2018 Amended and Restated Senior Lien Airport Revenue Senior Lien Bond Resolution (referred to herein as “this Resolution”):

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF TUCSON AIRPORT AUTHORITY, INC.:

ARTICLE I

DEFINITIONS AND COMPUTATIONS

Section 1.01. Definitions and Computations. Unless the context shall clearly indicate some other meaning, the terms defined in this section shall, for all purposes of this Resolution and of any resolution, certificate or other instrument supplemental hereto and of any opinion or instrument or document herein or therein mentioned, have the meanings herein specified, with the following definitions to be equally applicable to both the singular and plural forms of any of the terms herein defined. The term:

“Accountant” means an independent Certified Public Accountant or a firm of independent Certified Public Accountants of recognized standing, employed by the Authority but in fact independent and not under the control of the Authority.

“Additional Senior Lien Bonds” means any additional bonds authorized and issued pursuant to Sections 2.02, 2.03 and 2.04 hereof at any time Outstanding.

“Airport” means the Tucson International Airport as the same may exist from time to time.

“Airport Consultant” means an independent person or firm or corporation (a) not under the control of the Authority or any airline or air carrier, and (b) who shall have a widely known and favorable reputation for special skill, knowledge and experience in methods of the development, operation and management of airports of the approximate size and character as the properties constituting the Airport System.

“Airport Purpose” means any action or undertaking by the Authority reasonably related to the development and promotion of the Airport System as a destination for air commerce or as industrial or commercial sites or related to the development and promotion of air transportation and commerce by air in the State of Arizona generally and in the County of Pima in particular, including the funding of any judgment or settlement of pending or threatened litigation.

“Airport System” means the Airport, the facilities known as Ryan Airfield and such other facilities as may from time to time be added to the jurisdiction of the Authority.

“Authority” means the Tucson Airport Authority, Inc., a non-profit civic corporation created and existing pursuant to the laws of the State of Arizona, or, if such corporation shall be abolished, the authority, board, body, commission or agency succeeding to the principal

functions thereof or to which the powers and duties granted or imposed by this Resolution shall be given by law.

“Balloon Indebtedness” means with respect to any Series of Senior Lien Bonds, fifty percent (50%) or more of the principal of which comes due 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 principal maturing on a single date or within a Fiscal Year must equal or exceed 150% of the principal amount of such Series which matures during any prior Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the principal amount of such Series scheduled to be amortized by redemption prior to the stated maturity date thereof.

“Board” means the Board of Directors of the Authority, or if said Board shall be abolished, the board, body, commission or agency succeeding to the principal functions thereof or to which the powers and duties granted or imposed by this Resolution shall be given by law.

“Bond Counsel” means an attorney or firm of attorneys of recognized national standing in the field of law relating to municipal securities and to exclusion of interest thereon from income for federal income tax purposes selected by the Authority.

“Commercial Paper Dealer” means with respect to a Senior Lien Commercial Paper Program the dealer appointed by the Authority in the Supplemental Senior Lien Resolution providing for the issuance of the Senior Lien Commercial Paper Program Bonds and serving as such under a dealer agreement for such program, including any successors or assigns.

“Construction Fund” means the separate special fund of the Authority created and established in Section 3.01 hereof and designated in that section as the “Tucson Airport Authority Construction Fund”.

“Coverage Transfer Amount” means, for any Fiscal Year, the amount determined by the Designated Financial Officer of the Authority from amounts on deposit in the Airport Improvement Fund on the last day of the preceding Fiscal Year, other than those constituting Required Transfer Amounts, which may be used in the manner provided in Section 2.02 and Section 5.02 hereof.

“Debt Service” means with respect to any Series of Senior Lien Bonds, as of any particular date of computation and for any particular period or year:

(a) The aggregate amount required pursuant to Section 4.02 of this Resolution to be deposited during such period or year in the Senior Lien Bond Fund (i) to provide for the payment of interest on the Senior Lien Bonds of such Series, except to the extent that such interest is to be paid from (x) amounts credited to a Construction Interest Account in the Construction Fund, (y) amounts credited to any Interest Account for such Series, or (z) any other amounts available for the payment of interest, (ii) to provide for the payment at maturity of any such Senior Lien Bonds of such Series issued in serial form, and (iii) to provide for the retirement of any such Senior Lien Bonds of such Series issued in term form. Such interest and principal installments shall be calculated on the assumption that no Senior Lien Bonds of such Series Outstanding at the date of calculation will cease to be Outstanding except by reason

of the payment of principal installments for the Senior Lien Bonds of such Series on the due date thereof or through operation of the Senior Lien Term Senior Lien Bond Principal Account of the Senior Lien Bond Fund.

(b) For the purposes of computing Debt Service with respect to a Series of Senior Lien Bonds issued as Variable Rate Senior Lien Bonds or an Integrated Swap Agreement that provides for variable rate payments to be made by the Authority, the interest rate per annum shall be the average interest rate per annum expected to be borne by such Series of Variable Rate Senior Lien Bonds or Integrated Swap Agreement (computed on an actual day basis) for each Fiscal Year as estimated by the Designated Financial Officer of the Authority, provided, however, that if the Authority enters into an Integrated Swap Agreement with respect to a Series of Variable Rate Senior Lien Bonds that provides for fixed payments to be made by the Authority, the interest rate thereon shall be the fixed interest rate established under the Integrated Swap Agreement.

With respect to any payment under any agreement referred to in Section 2.07 hereof which payments are payable from Net Revenues and secured by a lien on and pledge of Net Revenues on a parity with the lien on and pledge of the Net Revenues created for the payment and security of the Senior Lien Bonds, "Debt Service" shall include the full amount of any such payments.

(c) If all or any portion of a Series of Outstanding Senior Lien Bonds constitute Balloon Indebtedness, then for purposes of computing Debt Service, each maturity which constitutes Balloon Indebtedness shall, unless otherwise provided in the Supplemental Senior Lien Resolution providing for the issuance of such Balloon Indebtedness or unless subsection (d) of this definition applies, be treated as if it were to be amortized over a period of twenty (20) years (or the actual number of years over which such Balloon Indebtedness is to be amortized, if greater than twenty (20) years, but in no event greater than thirty (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 the stated or deemed, as the case may be, final maturity of such Balloon Indebtedness, but in no event later than thirty (30) years from the date such Balloon Indebtedness was originally issued; the interest rate used for such computation shall be that rate equal to (i) as to such Senior Lien Bonds which are to bear interest excludable from gross income for federal income tax purposes, The Bond Buyer Revenue Bond Index or, if discontinued, another comparable index selected by the Designated Financial Officer, for obligations of similar credit quality, and (ii) as to Senior Lien Bonds which are not to bear interest excludable from gross income for federal income tax purposes, United States Treasury obligations of similar maturities; with respect to any Series of Senior Lien Bonds only a portion of which constitutes Balloon Indebtedness, the remaining portion shall be treated as described in paragraph (a) above or such other provision of this definition as shall be applicable and, with respect to any Series of Senior Lien 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 shall be treated as described in paragraph (a) above or such other provision of this definition as shall be applicable Balloon Indebtedness.

(d) Any maturity of a Series of Senior Lien Bonds which constitutes Balloon Indebtedness as described in paragraph (c) of this definition and for which the stated maturity date occurs within twelve (12) months from the date such calculation of Debt Service is made, shall be assumed to become due and payable on the stated maturity date and paragraph (c) above shall not apply thereto unless there is delivered to the Designated Financial Officer of the Authority a letter or agreement evidencing a binding commitment from a banking institution or investment banking institution to provide financing to refinance such maturity of Balloon Indebtedness and stating the probable terms of such refinancing and that the Net Revenues of the Authority are sufficient to successfully complete such refinancing; upon the receipt of such commitment, such Balloon Indebtedness shall be assumed to be refinanced in accordance with the terms set out in such commitment and such terms shall be used for purposes of calculating Debt Service, provided that such assumption shall not result in an interest rate lower than that which would be assumed under paragraph (c) above and shall be amortized over a term of not more than thirty (30) years from the date of refinancing.

(e) For purposes of computing Debt Service with respect to any Series of Senior Lien Bonds constituting Senior Lien Commercial Paper Program Bonds or Senior Lien Unissued Commercial Paper Program Bonds, it shall be assumed that the full principal amount of such Senior Lien Commercial Paper Program Bonds and Senior Lien Unissued Commercial Paper Program Bonds will be amortized over a term certified by the Designated Financial Officer of the Authority at the time the initial Senior Lien Commercial Paper Program Bonds of such Senior Lien Commercial Paper Program are issued to be the expected duration of such Senior Lien Commercial Paper Program or, if such expectations have changed, over a term certified by the Designated Financial Officer of the Authority to be the expected duration of such Senior Lien Commercial Paper Program at the time of such calculation, but not to exceed thirty (30) years from the date the initial Senior Lien Commercial Paper Program Bonds of such Senior Commercial Paper Program are issued and it shall be assumed that Debt Service shall be paid in substantially level annual debt service payments over such assumed term; the interest rate used for such computation shall be a rate equal to (i) as to such Senior Lien Commercial Paper Program Bonds which are to bear interest excludable from gross income for federal income tax purposes, The Bond Buyer Revenue Bond Index or, if discontinued, another comparable index selected by the Designated Financial Officer, for obligations of similar credit quality, and (ii) as to Senior Lien Commercial Paper Program Bonds which are not to bear interest excludable from gross income for federal income tax purposes, United States Treasury obligations of similar maturities.

“Designated Financial Officer” means the Vice President, Finance and Administration of the Authority or any other person as designated by the President/CEO of the Authority.

“Financial Institution” means any issuer or issuers of the Support Facility, successors or assigns.

“Fiscal Year” means the fiscal year for the Authority as established from time to time by the Authority, being on the date this Resolution becomes effective the twelve-month period ending September 30.

“Fitch” means Fitch Ratings, Inc., including any successors thereof.

“Governmental Obligations” shall mean (i) direct general obligations of, or obligations the payment of the principal and interest of which are unconditionally guaranteed by, the United States of America which are non-callable or redeemable only at the option of the holder and which at the time are legal investments for the monies proposed to be invested therein, (ii) receipts, certificates or other similar documents evidencing ownership of future interest or principal payments due on direct obligations of the United States of America held in a custody or trust account by a commercial bank (having at least \$20,000,000 in capital stock, surplus and undivided profits) pursuant to a custody or trust agreement, (iii) (A) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (1) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, and (2) at the time of their purchase under this Resolution, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies, or (B) long-term obligations of any state or any political subdivision thereof the entire principal of and interest on which is insured pursuant to an irrevocable municipal bond insurance policy and which obligations are rated by two Rating Agencies in one of the two highest rating categories or (iv) Refunded Municipal Obligations.

“Hedge Agreement” means an interest rate swap or exchange agreement, including an Integrated Swap Agreement, a payment exchange agreement, forward purchase agreement or any other hedge agreement entered into by the Authority for any purpose providing for payments between the parties based on levels of, or changes in, interest rates, stock or other indices or contracts to exchange cash flows or a series of payments or contracts, including without limitation, interest rate floors or caps, options, puts or calls to hedge payment, rate, spread or similar risk.

“Holder” has the meaning provided in this section under “Senior Lien Bondholder”.

“Integrated Swap Agreement” means any interest rate swap agreement entered into by the Authority with respect to a Series of Senior Lien Bonds having a notional amount not exceeding the Outstanding principal amount of such Series of Senior Lien Bonds and pursuant to which the Authority agrees to make payments on the basis of (a) a fixed rate of interest or (b) a variable rate of interest.

“Integrated Swap Agreement Payments” means payments made pursuant to an Integrated Swap Agreement on the basis of fixed or variable rates of interest; specifically excluding, however, termination payments, fees, expenses and other amounts payable under an Integrated Swap Agreement not specifically made on the basis of interest rates.

“Interest Increment Amount” means, as of any particular date of computation and for any particular period or year, with respect to any Variable Rate Senior Lien Bonds the difference, if any, between the rate of interest per annum borne by Variable Rate Senior Lien Bonds in

accordance with their terms as set forth in the Supplemental Senior Lien Resolution providing for the issuance thereof for all Holders other than an issuer or issuers of a Support Facility, and the rate such Variable Rate Senior Lien Bonds bear when such Variable Rate Senior Lien Bonds are held by an issuer or issuers of a Support Facility.

“Interest Payment Date” means, with respect to any particular Series of Senior Lien Bonds, any date on which interest is payable on such Series of Senior Lien Bonds as such date shall be established in the Supplemental Senior Lien Resolution providing for the issuance of such Series of Senior Lien Bonds.

“Investment Securities” means any of the following which at the time are legal investments under the laws of the State of Arizona for the monies held hereunder then proposed to be invested therein:

- (a) Government Obligations;
- (b) Obligations of United States Government agencies and instrumentalities, including obligations of the Federal Financing Bank, the Federal Home Loan Banks, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Housing Administration and the Farmers Home Administration;
- (c) Bonds, notes or other obligations of any State of Arizona local government or public authority, provided such bonds, notes or other obligations are rated in one of the two highest rating categories by Moody's and S&P;
- (d) Savings certificates or certificates of deposit issued by any commercial bank or savings and loan association organized under the laws of the State of Arizona or by any federal bank or savings and loan association; provided, however that any principal amount of such certificates in excess of the amount insured by the federal government or any agency thereof, be fully collateralized by obligations described in (a) or (b) above;
- (e) Prime quality commercial paper bearing a rating in one of the two highest rating categories from at least two Rating Agencies;
- (f) Participating shares in pooled investment funds maintained by the State Treasurer of Arizona for the collective investments of monies of State and local entities;
- (g) Repurchase agreements with respect to Government Obligations if (1) entered into with a broker or dealer, as defined by the Securities Exchange Act of 1934, as amended, which is a dealer recognized as a primary dealer by a Federal Reserve bank with a short-term rating of not less than one of the two highest categories from at least two Rating Agencies, or any commercial bank, trust company or national banking association rated in one of the two highest categories by at least two Rating Agencies, the deposits of which are insured by the Federal Deposit Insurance Corporation or any successor thereof, or (2) the repurchase agreement constitutes a "repurchase agreement" within the meaning of the United States Bankruptcy Code, if:

(A) such obligations that are subject to such repurchase agreement are delivered (in physical or in book-entry form) to the Authority, or any financial institution serving either as trustee for the Authority or as fiscal agent for the Authority or are supported by a safekeeping receipt issued by a depository satisfactory to the Authority, provided that such repurchase agreement must provide that the value of the underlying obligations shall be maintained at a current market value, calculated at least daily, of not less than one hundred percent (100%) of the repurchase price, and, provided further, that the financial institution serving either as trustee or as fiscal agent for the Authority holding the obligations subject to the repurchase agreement hereunder or the depository issuing the safekeeping receipt shall not be the provider of the repurchase agreement;

(B) a valid and perfected first security interest in the obligations which are the subject of such repurchase agreement has been granted to the Authority or its assignee or book entry procedures, conforming, to the extent practicable, with federal regulations and satisfactory to the Authority have been established for the benefit of the Authority or its assignee;

(C) such securities are free and clear of any adverse third party claims; and

(D) such repurchase agreement is in a form satisfactory to the Authority; and

(h) any other investments which at the time are legal investments under the laws of the State of Arizona for the monies held hereunder then proposed to be invested therein

“Junior Subordinate Lien Obligations” means bonds, notes, certificates, warrants or other evidences of indebtedness for any corporate use or purpose of the Authority relating to the Airport System payable as to principal and interest from the Net Revenues subject and subordinate, and secured by a lien and pledge on the Net Revenues junior and inferior, to the lien and pledge on the Net Revenues herein created for the payment and security of the Senior Lien Bonds and the Subordinate Lien Bonds.

“Kroll” means Kroll Inc., including any successors thereof.

“Lease” means that agreement entered into by and between the City of Tucson, Arizona and the Authority on the 14th day of October, 1948, as the same has heretofore been or may hereafter be amended, by which the Airport is leased to the Authority.

“Moody’s” means Moody’s Investors Service, including any successors thereof.

“Net Revenues” means (i) for any period or year which has concluded at the time a calculation was made the aggregate of the Revenues actually deposited into the Revenue Fund during such past period or year minus for such past period or year the aggregate of the Operation and Maintenance Expenses; and (ii) for any future period or year the aggregate of the Revenues that is estimated will be deposited into the Revenue Fund during such future

period or year, minus for such future period or year the aggregate of the estimated Operation and Maintenance Expenses in such future year or period.

“Operation and Maintenance Expenses” means the reasonable and necessary expenses of the Authority paid or accrued (or to be paid or accrued) in administering, operating, maintaining, and repairing the Airport System. The term “Operation and Maintenance Expenses” shall include, without limitation, the following items:

(a) costs of collecting Revenues and of making any refunds therefrom lawfully due others;

(b) engineering, auditing, legal and other overhead expenses directly related to the administration, operation, maintenance, and repair of the Airport System;

(c) costs of salaries, wages and other compensation of officers and employees and payments to pension, retirement, health and hospitalization funds and other insurance, including self-insurance for the foregoing;

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

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

(f) costs of utility services;

(g) costs and expenses of general administrative overhead of the Authority allocable to the Airport System;

(h) costs of equipment, materials and supplies used in the ordinary course of business, including ordinary and current rentals of equipment or other property or fees and charges for equipment or other property incurred under agreements as and to the extent permitted by the fourth paragraph of Section 5.16;

(i) contractual services and professional services, including but not limited to, legal services, accounting services and services of financial consultants and airport consultants;

(j) costs of fidelity bonds, or a properly allocable share of the premium of any blanket bond, pertaining to the Airport System or Revenues or any other monies held hereunder or required hereby to be held or deposited hereunder;

(k) costs of carrying out the provisions of this Resolution, including Paying Agents' fees and expenses; fees for remarketing bonds and Support Facilities, costs of insurance required hereby, or a properly allocable share of any premium of any blanket

policy pertaining to the Airport System or Revenues; and costs of recording, mailing and publication; and

(1) all other costs and expenses of administering, operating, maintaining and repairing the Airport System arising in the routine and normal course of business; provided, however, that (A) for the purpose of Sections 2.02 and 5.01 hereof, the term “Operation and Maintenance Expenses” shall not include: (1) any allowance for depreciation or any amounts for capital replacements or reserves therefor; (2) costs of extensions, enlargements, betterments and improvements or reserves therefor; (3) reserves for operation, maintenance, renewals and repairs occurring in the normal course of business; (4) payment (including redemption) of bonds or other evidences of indebtedness or interest and premium thereof or reserves therefor; and (B) for all purposes of this Resolution, the term “Operation and Maintenance Expenses” shall not include any operation and maintenance costs and expenses pertaining to (1) Special Facilities or expenses incurred by any lessee under a Special Facility Agreement (defined in Article VIII hereof), or (2) lands and properties not a part of the Airport System leased for industrial, governmental or other non-aviation purposes.

“Outstanding” when used with respect to any Senior Lien Bond shall have the construction given to such word in Section 9.01 hereof, i.e., a Senior Lien Bond shall not be Outstanding hereunder if such Senior Lien Bond is at the time not deemed to be Outstanding hereunder by reason of the operation and effect of said Section 9.01.

For purposes of this Resolution, in the event any Senior Lien Bonds of a Series are issued and sold at a price such that a portion of or all of the interest thereon is intended to be earned by accrual of original issue discount, the amount of such Senior Lien Bonds deemed to be Outstanding for the purpose of calculating the principal amount of any such Senior Lien Bonds and the principal amount of Senior Lien Bonds Outstanding in connection with the exercise of any voting right or privilege, the giving of any consent or direction or the taking of any other action that the Holders of the Senior Lien Bonds are entitled to take pursuant to Articles VI and VII of this Resolution or otherwise, shall be the accreted value thereof. The accreted value of any such Senior Lien Bonds on any date shall be the present value thereof on the immediately preceding Interest Payment Date for such Series of Senior Lien Bonds (or if such date is an Interest Payment Date for such Series of Senior Lien Bonds, on such date) determined by computing the present worth of all payments of principal and interest remaining to be paid thereon using a discount factor equal to the yield at which such Senior Lien Bonds were initially offered to the public. Prior to the issuance and delivery of any Senior Lien Bonds of the character described in this paragraph, a certificate of the Authority shall be executed setting forth the accreted value thereof as of each Interest Payment Date for such Series of Senior Lien Bonds to the stated maturity date thereof, which certificate shall be conclusive in the absence of manifest error. Unless otherwise provided in the Supplemental Senior Lien Resolution providing for the issuance of a Series of Senior Lien Bonds, this paragraph shall apply only to issues with an original issue discount in excess of 5% of the par amount thereof.

“Paying Agent” means as to any Senior Lien Bond of a Series the Paying Agent or Paying Agents for the Senior Lien Bonds of such Series appointed in the Supplemental Senior Lien Resolution providing for the issuance of the Senior Lien Bonds of such Series.

“PFC Revenues” means the net proceeds of any passenger facility charge that may be levied pursuant to 49 U.S.C. §40177, as amended from time to time, and regulations promulgated pursuant thereto, or analogous charge or fee levied pursuant to law, which are received and retained by the Authority.

“Project Costs” shall have the meaning given to such term in Section 3.01 hereof.

“Rating Agency” means S&P, Moody’s, Fitch, or Kroll, or any other nationally recognized rating agency, or their respective successors.

“Record Date” means, with respect to any particular Series of Senior Lien Bonds, the date designated as the Record Date for such Series of Senior Lien Bonds in the Supplemental Senior Lien Resolution authorizing the issuance thereof.

“Refunded Municipal Obligations” means noncallable obligations of any state, the District of Columbia or possession of the United States or any political subdivision thereof which obligations are rated in the highest rating category by Moody’s and S&P and provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of direct obligations of the United States of America, which are held by a bank or trust company organized and existing under the laws of the United States of America or any state, the District of Columbia or possession thereof in the capacity as custodian, the maturing principal of and interest on which obligations when due and payable shall be sufficient to pay when due the principal of and interest on such obligations of such state, the District of Columbia, possession, or political subdivision.

“Registrar” means with respect to a Series of Senior Lien Bonds, the Registrar appointed for such Series of Senior Lien Bonds by the Authority in the Supplemental Senior Lien Resolution providing for the issuance of the Senior Lien Bonds of such Series.

“Released Revenues” means revenues of the Authority in respect of which the following have been filed with the Authority:

(a) a written determination of the Designated Financial Officer to release such category of revenues, accompanied by a written certificate certifying the Authority is in compliance with all requirements of this Resolution;

(b) a report of an Accountant to the effect that Net Revenues, excluding the category of revenues proposed to become Released Revenues, for each of the two most recently completed Fiscal Years prior to the date of such report were equal to at least 150% of Senior Lien Maximum Aggregate Annual Debt Service;

(c) a certificate of an Airport Consultant retained by Authority to the effect that based upon current knowledge of the operations of the Airport System, Net Revenues, excluding the category of revenues proposed to become Released Revenues, for the then-current Fiscal Year will be equal to at least 150% of Senior Lien Maximum Aggregate Annual Debt Service;

(d) Rating Agency confirmation that the uninsured ratings, if any, then assigned to any Senior Lien Bonds by such Rating Agency will not be reduced or withdrawn as a result of such withdrawal of Released Revenues; and

(e) an opinion of Bond Counsel to the effect that the exclusion of such revenues from the definition of Revenues and from the pledge, charge and lien of this Resolution will not in and of itself cause the interest on any Outstanding Senior Lien Bond issued as tax-exempt securities to be included in gross income for purposes of federal income taxation.

“Remarketing Agent” means with respect to a Series of Variable Rate Senior Lien Bonds the Remarketing Agent appointed by the Authority in the Supplemental Senior Lien Resolution providing for the issuance of the Senior Lien Bonds of such Series and serving as such under the Remarketing Agreement for such Series, including any successors or assigns.

“Remarketing Agreement” means with respect to any Series of Variable Rate Senior Lien Bonds the agreement entered into by the Authority with a Remarketing Agent which provides for the purchase and remarketing of such Variable Rate Senior Lien Bonds, as such agreement may be supplemented and amended from time to time.

“Required Transfer Amount” means amounts in the Airport Improvement Fund which are required to be transferred by the Authority to the Revenue Fund under contractual obligations with air carriers.

“Resolution” means this Resolution, as the same may be amended and supplemented from time to time, and, unless the context shall clearly indicate otherwise, shall include all Supplemental Senior Lien Resolutions.

“Revenue Fund” means the separate special fund of the Authority established in Section 4.01 hereof and designated as the “Tucson Airport Authority Revenue Fund.”

“Revenues” or “Gross Operating Income” means the total of all income and revenue from all sources collected or received by the Authority in connection with the Airport System, including all rates, charges, rentals, fees and any other compensation, regardless of form, investment income earned by the Authority, except as hereinafter provided to the contrary, and the Required Transfer Amount.

“Revenues” shall not include:

(i) proceeds from bonds issued by the Authority or proceeds from loans obtained by the Authority;

(ii) proceeds derived from condemnation or insurance awards or settlement and earnings thereon, except insurance proceeds received from rental or business interruption insurance;

(iii) revenues, other than ground rent, derived from any Special Facility, including customer facility charges and also including amounts which are assigned as security to liquidate indebtedness incurred to finance such Special Facility;

(iv) grants-in-aid or similar payments received from public agencies;

(v) the proceeds of any PFC Revenues or analogous charge or fee levied pursuant to law;

(vi) monies or securities received by the Authority as gifts or grants;

(vii) investment income derived from monies or securities on deposit in the Construction Fund and investment income derived from any monies or securities which may be placed in escrow or trust to defease bonds of the Authority, including the Senior Lien Bonds, or to meet Authority's obligation under any consent decree;

(viii) any arbitrage earnings which are required to be paid to the U.S. Government pursuant to Section 148 of the Internal Revenue Code of 1986, as amended, and the rulings and regulations promulgated thereunder;

(ix) the proceeds of any Support Facility; and

(x) Released Revenues,

Provided, however, that the Authority may, by Supplemental Senior Lien Resolution, include any of such excluded sources into the definition of Revenues.

"S&P" means S&P Global Ratings, a division of Standard & Poor's Financial Services LLC, including any successors thereof.

"Senior Lien Aggregate Annual Debt Service" means for any Fiscal Year the aggregate amount of Debt Service on all Outstanding Senior Lien Bonds and Senior Lien Unissued Commercial Paper Program Bonds; provided, however, that if federal or state grants or other monies have been irrevocably committed or are held by the Authority or by a fiduciary and are to be set aside exclusively to be used to pay the principal of and/or interest on all or a portion of any Series of Senior Lien Bonds, then the principal of and/or interest on such Series of Senior Lien Bonds to be paid from such federal or state grants or other monies or from earnings thereon may be disregarded and not included in calculating Senior Lien Aggregate Annual Debt Service.

"Senior Lien Bond" or "Senior Lien Bonds" means any Senior Lien Airport Revenue Bond authorized by Sections 2.01, 2.02, 2.03 or 2.04 hereof at any time Outstanding under and pursuant to this Resolution, including Additional Senior Lien Bonds at any time Outstanding, Senior Lien Completion Bonds at any time Outstanding, and Senior Lien Refunding Bonds at any time Outstanding, but shall not include any Special Obligation Bonds defined in Section 8.01 hereof. "Senior Lien Bond Fund" means the separate special fund of the Authority established pursuant to Sections 4.01 and 4.02 hereof and designated as the "Tucson Airport Authority Senior Lien Bond Fund".

“Senior Lien Bondholder” or “holder of a Senior Lien Bond” means the registered owner of any Senior Lien Bond as shown on the books of registry of the Registrar maintained pursuant to this Resolution, and shall include any beneficial owner of a Senior Lien Bond or his nominee.

“Senior Lien Bond Reserve Fund” means the separate special fund of the Authority established pursuant to Sections 4.01 and 4.03 hereof and designated as the “Tucson Airport Authority Senior Lien Bond Reserve Fund”.

“Senior Lien Bond Reserve Fund Requirement” means with respect to any Series of Senior Lien Bonds, unless otherwise provided in the Supplemental Senior Lien Resolution authorizing such Series, the least of (a) the greatest amount of principal and interest payable on a Series of Senior Lien Bonds in the then current or any future Fiscal Year, (b) 125% of the average annual principal and interest payable on such Series of Senior Lien Bonds (calculated by dividing the sum of principal and interest payments on such Series of Senior Lien Bonds by the number of years to the final maturity of such Series of Senior Lien Bonds) or (c) 10% of the initial public offering price of such Series of Senior Lien Bonds currently outstanding.

“Senior Lien Commercial Paper Program” means a financing program of stated duration authorized by Supplemental Senior Lien Resolution, which authorizes the issuance from time to time of a Series of Senior Lien Commercial Paper Program Bonds of maximum principal amount Outstanding at any one time, each of which matures over a period of not exceeding 270 days, and the issuance of additional Senior Lien Commercial Paper Program Bonds from time to time to retire Outstanding Senior Lien Commercial Paper Program Bonds.

“Senior Lien Commercial Paper Program Bonds” means any Series of Senior Lien Bonds issued and Outstanding pursuant to a Senior Lien Commercial Paper Program, other than Senior Lien Unissued Commercial Paper Program Bonds.

“Senior Lien Completion Bonds” means Senior Lien Bonds issued pursuant to Section 2.03 hereof.

“Senior Lien Maximum Aggregate Annual Debt Service” means, at the time of computation, the greatest amount of Senior Lien Aggregate Annual Debt Service payable on all Senior Lien Bonds Outstanding in the then current or any future Fiscal Year.

“Senior Lien Refunding Bonds” means Senior Lien Bonds issued pursuant to Section 2.04 hereof.

“Senior Lien Unissued Commercial Paper Program Bonds” means the Senior Lien Commercial Paper Program Bonds which are within the maximum principal amount authorized by Supplemental Senior Lien Resolution as part of a Senior Lien Commercial Paper Program, but which have not yet been authenticated and delivered as part of the Senior Lien Commercial Paper Program.

“Series” or “Series of Senior Lien Bonds” means any particular Series of Senior Lien Bonds issued pursuant to a Supplemental Senior Lien Resolution in accordance with Article VI hereof.

“SIFMA Index” means an index based upon the weekly interest rate resets of tax-exempt variable rate issues included in a data base maintained by Municipal Market Data which meet specific criteria established by the Securities Industry and Financial Markets Association and effective on the date applied or in the event such index is no longer maintained, an equivalent index with the same components as the SIFMA Index.

“Special Facility” means hangar, overhaul, maintenance or repair building or shop, or other aviation or aerospace or airport or air navigation facility, including, without limitation, any hotel, garage, rental car facility other building or facility incident or related to the Airport System.

“Subordinate Lien Bonds” means the revenue bonds of the Authority issued pursuant to that certain 2018 Amended and Restated Subordinate Lien Airport Revenue Bond Resolution, adopted by the Board of Directors on September 12, 2018, as supplemented and amended from time to time, or any successor or replacement resolution or indenture authorizing such Subordinate Lien Bonds, which Subordinate Lien Bonds are payable as to principal and interest from the Net Revenues subject and subordinate, and secured by a lien and pledge on the Net Revenues junior and inferior, to the lien and pledge on the Net Revenues herein created for the payment and security of the Senior Lien Bonds.

“Supplemental Senior Lien Resolution” means any resolution adopted under and pursuant to Article VI hereof providing for the issuance of a Series of Senior Lien Bonds or amending or supplementing this Resolution as originally enacted or as theretofore amended and supplemented in accordance with said section.

“Support Agreement” means any agreement entered into by the Authority which provides for a Support Facility, and any and all modifications, alterations, amendments and supplements thereto.

“Support Facility” means any instrument, contract or agreement entered into or obtained in connection with an issue of Senior Lien Bonds such as a letter of credit, a committed line of credit, insurance policy, surety bond or standby bond purchase agreement, or any combination of the foregoing, and issued by a bank or banks, other financial institution or institutions, or any combination of the foregoing, which Support Facility provides for the payment of (i) the purchase price equal to the principal of and accrued interest on Senior Lien Bonds delivered to the Remarketing Agent or any depository, tender agent or other party pursuant to a Remarketing Agreement or Supplemental Senior Lien Resolution and discount, if any, incurred in remarketing such Senior Lien Bonds, and/or (ii) principal of and interest on all Senior Lien Bonds becoming due and payable during the term thereof.

“Trustee” means The Bank of New York Trust Company, N.A. (as successor in interest to The Valley National Bank of Arizona, Bank One Arizona, NA, Bank One Trust Company, N.A., and J.P. Morgan Trust Company, N.A., as Trustee), a national banking association duly organized and existing under the laws of the United States of America and presently having its designated corporate trust office in Tempe, Arizona, in its capacity as Trustee under this Resolution, and its successors or assigns, and any successor as Trustee under this Resolution.

“Variable Rate Senior Lien Bonds” means any Senior Lien Bonds issued bearing interest at a rate per annum subject to adjustment from time to time pursuant to the terms thereof and calculated in a manner which precludes the actual rate for the entire term of such debt from being ascertainable in advance. For the purposes of this definition, Senior Lien Bonds shall not be considered to be Variable Rate Senior Lien Bonds upon the establishment of or conversion of the rate of interest thereon to a fixed interest rate.

Whenever in this Resolution any governmental unit, including the Authority, or any board, officer, director or department of a governmental unit, including the Board, is defined or referred to, such definition or reference shall be deemed to include the governmental unit or board, officer, agency, commission, body or department succeeding to or in whom or which is vested, the functions, rights, powers, duties and obligations of such governmental unit, board, officer, director or department, as the case may be, encompassed by this Resolution.

Unless the context shall clearly indicate otherwise, in this Resolution (i) words importing persons include firms, partnerships, associations, corporations (public and private), public bodies and natural persons, and also include executors, administrators, trustees, receivers or other representatives; and (it) the terms “herein” “hereunder, “hereby”, “hereto”, “hereof”, and any similar terms, refer to this Resolution as a whole and not to any particular section or subdivision hereof.

Unless the context shall clearly indicate otherwise, in this Resolution (for purposes of this paragraph, not including any Supplemental Senior Lien Resolution) (i) references to sections and other subdivisions, whether by number or letter or otherwise, are to the respective or corresponding sections and subdivisions of this Resolution, as such sections or subdivisions may be amended from time to time, (ii) the term “heretofore” means before the time of effectiveness of this Resolution; (iii) the term “now” means at the time of effectiveness of this Resolution; and (iv) the term “hereafter” means after the time of effectiveness of this Resolution.

Unless the facts shall then be otherwise, all computations required for the purposes of this Resolution shall be made on the assumptions that: (i) the principal of and interest on all Senior Lien Bonds shall be paid as and when the same become due; (ii) all credits required by any Supplemental Senior Lien Resolution to be made to the Senior Lien Term Senior Lien Bond Principal Account in the Senior Lien Bond Fund shall be made in the amounts and at the times required by such Supplemental Senior Lien Resolution; and (iii) all Senior Lien Bonds required by any Supplemental Senior Lien Resolution to be redeemed from monies credited to the Senior Lien Term Senior Lien Bond Principal Account in the Senior Lien Bond Fund shall be redeemed on the respective dates and in the respective amounts on such dates as required by the provisions of such Supplemental Senior Lien Resolution.

ARTICLE II

AUTHORIZATION OF SENIOR LIEN BONDS

Section 2.01. Authorization of Senior Lien Bonds; Source of Payment Thereof; Pledges to and Liens For Such Payment. There is hereby established and created under this

Resolution an issue of Senior Lien Bonds (herein defined and referred to as the “Senior Lien Bonds”) of the Authority, to be known and designated as “Senior Lien Airport Revenue Bonds”. The Senior Lien Bonds may be issued hereunder in Series from time to time as hereinafter provided in this Resolution, in order to accomplish any purpose of the Authority. Subject to the provisions of Sections 2.02 and 2.03 hereof, the aggregate principal amount of Senior Lien Bonds which may be issued hereunder and secured hereby and be Outstanding at any time is not limited as to amount, except as may otherwise hereafter be provided by law. The Senior Lien Bonds, including principal thereof and interest and premium, if any, thereon, shall be payable pari passu from, and be equally and ratably secured by a pledge of and lien upon, and the Authority does hereby pledge, the Net Revenues of the Authority. The foregoing pledges and liens shall be valid and binding from the time of the delivery of and payment for the first Series of Senior issued under this Resolution, and the monies representing the Net Revenues shall thereupon be immediately subject to such pledge and lien upon receipt thereof by the Authority or a Paying Agent without any physical delivery or further act. The Senior Lien Bonds shall not in any manner or to any extent constitute or be a charge upon any monies or property of the Authority not specifically pledged thereto by this Resolution, or constitute or be an obligation of the City of Tucson or of any municipality or political subdivision of the State of Arizona other than the Authority. This Resolution shall constitute a “Security Agreement” with respect to the property pledged hereunder which is within the purview of the Arizona Uniform Commercial Code.

The covenants and agreements herein set forth to be performed by the Authority shall be for the equal and proportionate benefit, security and protection of all Holders of the Senior Lien Bonds without preference, priority or distinction as to payment or security or otherwise of any of the Senior Lien Bonds over any of the others for any reason or cause whatsoever (except as to the maturity thereof or any mandatory redemption thereof or as may otherwise be expressly provided therein or herein), and all Senior Lien Bonds shall rank pari passu and shall be secured equally and ratably without discrimination or preference whatsoever.

The issuance of the Senior Lien Bonds may be authorized in one or more Series by a Supplemental Senior Lien Resolution or Supplemental Senior Lien Resolutions of the Board adopted subsequent hereto. Each Supplemental Senior Lien Resolution authorizing the issuance of a Series of Senior Lien Bonds shall, in addition to the title “Senior Lien Airport Revenue Bonds” designate such Senior Lien Bonds by such other identifying terms and an appropriate Series designation and shall also specify: (a) the authorized principal amount of such Series of Senior Lien Bonds; (b) the purposes for which Senior Lien Bonds of such Series are being issued; (c) the date, maturity date or dates and the Interest Payment Dates of the Senior Lien Bonds of said Series with interest being payable on said Senior Lien Bonds at the times and in the manner provided in the Supplemental Senior Lien Resolution providing for the issuance thereof; (d) the interest rate or rates, or the manner of determining such rates; (e) the denominations and manner of numbering the Senior Lien Bonds of such Series; (f) whether such Senior Lien Bonds will be issued in coupon form with or without privilege of registration or in fully registered form or both; and the privileges, if any, of convertibility from one form to another; and the place or places of such registration and conversion; (g) the redemption premium or premiums, and the redemption price or prices, if any, to be paid upon the redemption of the Senior Lien Bonds of such Series; the period or periods, if any, during which such premiums or prices shall be payable; and the terms and conditions, if any, of such redemption; (h) the purchase price or prices, if any, to be paid upon the tender of the Senior

Lien Bonds of such Series; the period or periods, if any, during which such Senior Lien Bonds may be tendered; and the terms and conditions, if any, of such tender; (i) if any of the Senior Lien Bonds of said Series are issued in the form customarily known as “term bonds”, the amount and due dates of each sinking fund installment payment for the Senior Lien Bonds of such Series (and the Term Bond Principal Account in the Senior Lien Bond Fund shall constitute such sinking fund, anything in such Supplemental Senior Lien Resolution to the contrary notwithstanding); the date or dates upon which and redemption price or prices at which the said Senior Lien Bonds may be redeemed from such installments; and the manner and procedure of applying such installments to the redemption of such Senior Lien Bonds; (j) the place or places of payment of such Senior Lien Bonds and interest thereon; (k) the provisions for the sale or other disposition of the Senior Lien Bonds of such Series and the use, application and investment, if any, of the proceeds of such sale or other disposition, and which use, application and investment shall not be inconsistent or in conflict with the provisions hereof, including any deposits to a Construction Interest Account or an Senior Lien Bond Reserve Account; (l) any other provisions which may be required to be inserted therein by other provisions of this Resolution; and (m) any other provision not inconsistent or in conflict with the provisions of this Resolution.

No Holder of a Senior Lien Bond shall be required to see that the monies derived from such Senior Lien Bond are applied to the purpose or purposes for which the Senior Lien Bond is issued. The validity of the Senior Lien Bonds shall neither be dependent upon or affected by the validity or regularity of any proceedings or contracts relating to the acquisition, purchase, construction, reconstruction, restoration, addition, expansion, improvement, betterment, extension, renewal or replacement to the Airport System, nor by the use and application of the proceeds of the Senior Lien Bonds.

Section 2.02. Authorization of Additional Senior Lien Bonds Hereunder. For the purpose of paying Project Costs of additions, expansions and improvements to the Airport System, there is hereby authorized to be issued, and shall be issued, hereunder one or more Series of the Senior Lien Bonds in such aggregate principal amount as shall be set forth in the Supplemental Senior Lien Resolution providing for the issuance of such Senior Lien Bonds, to be adopted hereafter pursuant to and in accordance with the provisions of Section 2.01 hereof.

Subsequent to the first Series of Senior Lien Bonds issued following the adoption of this Resolution, the Authority may issue hereunder at one time or from time to time an additional Series of the Senior Lien Bonds (herein defined and referred to as “Additional Senior Lien Bonds”) by means of a Supplemental Senior Lien Resolution or Supplemental Senior Lien Resolutions, adopted pursuant to and in accordance with the provisions of Section 2.01 hereof, but only upon compliance with the following conditions:

(1) The Designated Financial Officer shall have found and determined that no Event of Default (as defined in Section 7.01 hereof) exists hereunder.

(2) Either (i) the Designated Financial Officer shall have certified: (A) that based on audited financial statements of the Authority for the most recently completed Fiscal Year, the Net Revenues for such Fiscal Year, or (B) that the Net Revenues for any 12 consecutive months out of the most recent 24 calendar months preceding the issuance

of such additional Series of Senior Lien Bonds, together with the Coverage Transfer Amount, will equal at least one hundred twenty-five percent (125%) of Senior Lien Maximum Aggregate Annual Debt Service on all Senior Lien Bonds Outstanding and the Senior Lien Bonds of the Series then proposed to be issued; or (ii) an Airport Consultant shall have certified that estimated Net Revenues, together with the Coverage Transfer Amount, to be derived in each of the three full Fiscal Years following the Fiscal Year in which (a) the Authority estimates that the properties included or to be included in the Airport System which are to be financed by the issuance of such Additional Senior Lien Bonds, will be placed in continuous service or in commercial operation or amounts credited to a Construction Interest Account in the Construction Fund are expended, whichever is earlier, or (b) Senior Lien Refunding Bonds are issued, will equal at least one hundred twenty-five percent (125%) of Senior Lien Aggregate Annual Debt Service for the comparable Fiscal Years on all Senior Lien Bonds Outstanding and the Senior Lien Bonds of the Series then proposed to be issued.

For purposes of this subsection (2), the Coverage Transfer Amount taken into account shall not exceed (i) for purposes of clause 2(i) above, twenty-five percent (25%) of Senior Lien Maximum Aggregate Annual Debt Service on Senior Lien Bonds Outstanding and the Senior Lien Bonds of the Series then proposed to be issued, and (ii) for purposes of clause 2(ii) above, for each Fiscal Year being compared, twenty-five percent (25%) of Senior Lien Aggregate Annual Debt Service for such Fiscal Year on Senior Lien Bonds Outstanding and the Senior Lien Bonds of the Series then proposed to be issued.

The Supplemental Senior Lien Resolution authorizing the issuance of such Series of Additional Senior Lien Bonds shall provide for the disposition of the proceeds thereof.

Section 2.03. Senior Lien Completion Bonds. Without complying with the preceding provisions of Section 2.02, the Authority may at any time and from time to time issue in accordance with the provisions of this paragraph one or more Series of Additional Senior Lien Bonds hereunder by means of a Supplemental Senior Lien Resolution adopted pursuant to and in accordance with the provisions of Section 2.01 hereof, for the purpose of completing any project specified and described in such Supplemental Senior Lien Resolution and for which project Senior Lien Bonds have been previously issued; provided the principal amount of Senior Lien Completion Bonds issued pursuant to this section shall not exceed fifteen (15%) of the principal amount of Senior Lien Bonds issued to finance such project. Prior to the issuance of any Series of such Additional Senior Lien Bonds the Authority must, in addition to meeting all of the requirements contained in paragraph (1) of Section 2.02, find and determine that the issuance of such Additional Senior Lien Bonds is necessary to provide funds for the completion of the project.

Section 2.04. Senior Lien Refunding Bonds. The Authority may at any time and from time to time issue one or more Series of Senior Lien Bonds (herein defined and referred to as "Senior Lien Refunding Bonds") hereunder by means of a Supplemental Senior Lien Resolution adopted pursuant to and in accordance with the provisions of Section 2.01 hereof upon compliance with the provisions of paragraph (2) of Section 2.02, provided the Authority need not comply with the provisions of Section 2.02 with respect to Senior Lien Refunding Bonds issued for the purpose of (a) refunding at their maturity, or at any time within one year prior to their maturity,

any of the then Outstanding Senior Lien Bonds for the payment of which sufficient funds are not available, and any Senior Lien Refunding Bonds for such purpose shall mature, or be subject to mandatory redemption from mandatory credits to the Term Bond Principal Account in the Senior Lien Bond Fund, which mandatory credits shall commence, in a year later than the latest stated maturity date of any Senior Lien Bond then Outstanding which shall remain Outstanding after the completion of such refunding, or (b) refunding Senior Lien Bonds, provided that the Senior Lien Maximum Aggregate Annual Debt Service in any Fiscal Year on any Refunding Senior Lien Bonds proposed to be issued does not exceed the Debt Service in any Fiscal Year on the Senior Lien Bonds being refunded by more than ten percent (10%).

Senior Lien Bonds of any one or more Series may be refunded by the same Series of Senior Lien Refunding Bonds, which Senior Lien Bonds to be refunded shall be specified in the Supplemental Senior Lien Resolution authorizing the Senior Lien Refunding Bonds, and the principal amount of such Senior Lien Refunding Bonds may include amounts necessary to pay the principal of the Senior Lien Bonds to be refunded, interest thereon to the date of redemption thereof, any premium payable thereon upon such redemption. The proceeds of the Senior Lien Refunding Bonds shall be held and applied in such manner, consistent with the provisions of Section 9.01 hereof with respect to Senior Lien Bonds being refunded, as is provided in the Supplemental Senior Lien Resolution authorizing such Senior Lien Refunding Bonds so that upon the delivery of such Senior Lien Refunding Bonds the Senior Lien Bonds to be refunded thereby shall no longer be deemed to be Outstanding hereunder in accordance with the provisions of said Section 9.01.

The provisions of this section shall not be applicable to the refunding at one time of all the Senior Lien Bonds then Outstanding.

Section 2.05. Subordinate Lien and Other Obligations. Nothing contained in this Resolution shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Authority from issuing or incurring Subordinate Lien Bonds or Junior Subordinate Lien Obligations.

Subject to any other contractual obligations of the Authority, nothing contained in this Resolution shall prevent the Authority from authorizing and issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness, other than Senior Lien Bonds, for the purpose of providing proceeds to finance any Airport Purpose payable from and secured by a pledge of and lien on those revenues, proceeds, grants or other sources specifically excluded from the definition of Revenues and all income or revenues derived with respect to any Airport Purpose so financed shall constitute Revenues and be paid into the Revenue Fund.

Section 2.06. Variable Rate Senior Lien Bonds and Senior Lien Commercial Paper Program Bonds. Nothing in this Resolution shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Authority from issuing Variable Rate Senior Lien Bonds or Senior Lien Commercial Paper Program Bonds. The Supplemental Senior Lien Resolution or Resolutions providing for the issuance of such Variable Rate Senior Lien Bonds or such Senior Lien Commercial Paper Program Bonds may provide for the Authority to obtain Support Facilities or alternate Support Facilities and enter into Support Agreements in connection therewith, enter into Remarketing Agreements and dealer and issuing and paying agent agreements and appoint

Remarketing Agents, Commercial Paper Dealers and/or issuing and paying agents in accordance with standards specified in the Supplemental Senior Lien Resolution, provide for interest to be payable or redetermined on such dates and to accrue over such periods as set forth in such Supplemental Senior Lien Resolution, provide for the determination or establishment of rates of interest based on determinations of a Remarketing Agent, a Commercial Paper Dealer, market auction procedures or the establishment, use, composition, adjustment and change of interest indices or the establishment and use of alternate interest indices or the establishment of a fixed interest rate or rates, provide for an Interest Increment Amount, provide for the establishment of special funds and accounts in connection with the issuance of such Variable Rate Senior Lien Bonds or Senior Lien Commercial Paper Program Bonds, provide for special redemption or purchase provisions for such Variable Rate Senior Lien Bonds or Senior Lien Commercial Paper Program Bonds and establish notice provisions in connection with the purchase, redemption, delivery or tender of such Variable Rate Senior Lien Bonds or Senior Lien Commercial Paper Program Bonds.

Section 2.07. Hedge, Support and Other Financial Agreements. Nothing in this Resolution shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Authority from entering into Hedge Agreements, Support Agreements or other financial agreements under which payments (including but not limited to, fees, charges, expenses but excluding any termination, indemnification or other payments intended to pay any person for loss of benefits under such agreement) are payable from Net Revenues and secured by a lien on and pledge of Net Revenues on a parity with the lien on and pledge of the Net Revenues created for the payment and security of the Senior Lien Bonds; provided such payments shall meet the requirements of Section 2.02 hereof; and provided, further, that Integrated Swap Agreement Payments shall be treated as payment of interest on Senior Lien Bonds. In the event any such payments, other than payments constituting principal of, premium, if any, and interest on, Senior Lien Bonds, shall be secured by a lien on and pledge of Net Revenues on a parity with the lien on and pledge of the Net Revenues created for the payment and security of the Senior Lien Bonds, a separate account shall be established in the Senior Lien Bond Fund for the payment thereof and payments to such account shall be made ratably from Net Revenues at the time Net Revenues are disbursed to the other accounts in the Senior Lien Bond Fund pursuant to Section 4.02 hereof. For the purposes of Sections 2.02, 5.02, and for any other provision of this Resolution as otherwise appropriate, any obligation to make payments which are payable from Net Revenues and secured by a lien on and pledge of Net Revenues on a parity with the lien on and pledge of the Net Revenues created for the payment and security of the Senior Lien Bonds as provided in this Section 2.07 shall be deemed and treated as a "Senior Lien Bond" under this Resolution.

Section 2.08. Medium of Payment of Principal, Interest and Premium of Senior Lien Bonds; Interest on Senior Lien Bonds; Cancellation and Destruction of Senior Lien Bonds. The Senior Lien Bonds shall be payable as to interest, principal and premium, if any, in any coin or currency of the United States of America which at the time of payment thereof is legal tender for public and private debts. The principal of and premium, if any, on any Senior Lien Bond shall be payable upon maturity or redemption to the Holder thereof upon surrender thereof at the principal office of the Authority, or the Paying Agent appointed therefor, as determined in the Supplemental Senior Lien Resolution authorizing such Senior Lien Bond. The interest on any Senior Lien Bond when due and payable shall be paid to the Holder by check or draft mailed to the Holder thereof at his address as shown on the books of registry maintained pursuant to Section 2.09 hereof;

provided that with respect to any particular Series of Senior Lien Bonds, the Supplemental Senior Lien Resolution authorizing the issuance of such Series of Senior Lien Bonds, may provide alternative methods or procedures for the payment of interest.

All Senior Lien Bonds upon the payment thereof at maturity or upon redemption shall, as directed by the Authority, either be cancelled by a Paying Agent therefor and such cancelled Senior Lien Bonds and a certificate evidencing such cancellation transmitted to the Authority or be destroyed by a Paying Agent therefor and a certificate evidencing such destruction transmitted to the Authority.

Section 2.09. Redemption or Purchase of Senior Lien Bonds. The Senior Lien Bonds of a Series may be subject to purchase or redemption at the option of the registered owners thereof and mandatory purchase and redemption prior to the stated maturity thereof, upon such terms and conditions and at such dates and redemption prices or premiums or purchase price as shall be set forth in the Supplemental Senior Lien Resolution authorizing the issuance of such Series of Senior Lien Bonds. Unless or except as may otherwise be provided in the Supplemental Senior Lien Resolution providing for the issuance of such Senior Lien Bonds:

(1) Notice of redemption of Senior Lien Bonds shall state: the designation, date and maturities of the Senior Lien Bonds called for redemption; the redemption price or premium, if any, payable upon such redemption; the date of redemption; if less than all the Senior Lien Bonds then Outstanding of the Series of Senior Lien Bonds of which the Senior Lien Bonds called for redemption are a part are called for redemption, the numbers of the Senior Lien Bonds called for redemption; that the interest on the Senior Lien Bonds, or on the principal amount thereof to be redeemed, designated for redemption in such notice shall cease to accrue and be payable from and after such redemption date; and that on said redemption date there will become due and payable on each said Senior Lien Bond the principal amount thereof to be redeemed, the then applicable redemption premium, if any, and the interest accrued on such principal amount to the redemption date.

(2) Each notice of redemption mailed to the Holder of a Senior Lien Bond to be redeemed shall, if less than the entire principal sum thereof is to be redeemed, also state the principal amount thereof to be redeemed and that such Senior Lien Bond must be surrendered in exchange for the payment of the principal amount thereof to be redeemed and the issuance of a new Senior Lien Bond equaling in principal amount that portion of the principal sum not to be redeemed of the Senior Lien Bond to be surrendered.

(3) Notice of the redemption thereof shall be mailed not less than thirty (30) days prior to the redemption date, by registered or certified mail, to the registered owner of such Senior Lien Bond at his address as it appears on the registration books.

(4) The Authority, at any time it shall call Senior Lien Bonds for redemption, shall mail a copy of the notice of redemption of the Senior Lien Bonds so called to the Registrar referred to in Section 2.05 hereof (if a Paying Agent) for each Series of Senior Lien Bonds of which such Senior Lien Bonds are a part at least forty-five days prior to the redemption date, or such shorter time as shall be acceptable to it.

(5) The Authority shall give notice of all redemption of Senior Lien Bonds, or shall cause such notice to be given in its name and on its behalf, and shall promptly notify the respective Paying Agents for the Senior Lien Bonds of the Series of Senior Lien Bonds called for redemption as to any redemption of the Senior Lien Bonds of such Series and as to the numbers of the Senior Lien Bonds called for redemption.

(6) Whenever provision is made for the selection by lot of Senior Lien Bonds to be redeemed, the particular Senior Lien Bonds to be redeemed shall be selected from among the Senior Lien Bonds then subject to redemption and selection by lot for such redemption, such selection to be made by the Authority in any manner which it deems fair.

(7) In the event that only part of the principal sum of a Senior Lien Bond shall be called for redemption or prepaid, payment of the amount to be redeemed or prepaid shall be made only upon surrender of such Senior Lien Bond. Upon surrender of such Senior Lien Bond, the Authority shall execute and deliver, or cause to be delivered, to the registered owner thereof, at the expense of the Authority, a new duly executed Senior Lien Bond or Senior Lien Bonds of authorized principal sums equal in aggregate principal amount to, and of the same Series, maturity and interest rate as, the unredeemed portion of the Senior Lien Bond surrendered.

If a Senior Lien Bond is subject by its terms to prior redemption and has been duly called for redemption and notice of the redemption thereof has been duly given as aforesaid and monies for the payment of the principal amount thereof to be redeemed, the applicable redemption premium, if any, which is payable upon such redemption and the interest to accrue on such principal amount to the redemption date, are held for the purpose of such payment by a Paying Agent for the Series of Senior Lien Bonds of which such Senior Lien Bond is one, then on the redemption date designated in such notice, such Senior Lien Bond (or the principal amount thereof to be redeemed) so called for redemption shall become due and payable at the principal amount to be redeemed and the applicable redemption premium, if any, thereon; interest on said Senior Lien Bond (or the principal amount thereof to be redeemed) so called for redemption shall cease to accrue.

Any notice of optional redemption may state that such redemption may be conditional upon the receipt by the Paying Agent for the Senior Lien Bonds of the Series proposed to be redeemed on the date fixed for redemption of monies sufficient to pay in full the redemption price of the Senior Lien Bonds proposed to be redeemed. If the notice contains such condition, and monies sufficient to pay in full the redemption price of the Senior Lien Bonds proposed to be redeemed shall not be received on or prior to the date fixed for redemption, such notice of redemption shall be null and void and of no force and effect, the Authority shall not redeem or be obligated to redeem any Senior Lien Bonds, and the Paying Agent at the Authority's direction shall give notice, in the same manner as notice of redemption is given, that monies sufficient to pay in full the redemption price of the Senior Lien Bonds proposed to be redeemed were not received on or prior to the date fixed for redemption and such redemption did not occur. In the event of the failure to redeem, all Senior Lien Bonds of a Series surrendered for redemption shall be promptly returned to the registered Holder or Holders by the Paying Agent for the Senior Lien Bonds of such Series.

With respect to Senior Lien Bonds subject to mandatory or optional purchase, provisions relating to notice, the effect of purchase and other matters relating to any Senior Lien Bonds shall be provided in the Supplemental Senior Lien Resolution providing for the issuance thereof.

All Senior Lien Bonds surrendered or redeemed pursuant to the provisions of this section, shall be cancelled.

The Authority may assign any duties imposed upon it by this section with respect to any Senior Lien Bond to a Paying Agent for the Series of Senior Lien Bonds of which such Senior Lien Bond is one or to the Trustee. In the event of such an assignment of the duties imposed upon the Authority by paragraph (6) above, the selection by lot of Senior Lien Bonds to be redeemed shall be made in any manner deemed fair by the Paying Agent to which such duty is assigned or the Trustee.

Section 2.10. Registration, Transfer, Exchange and Ownership of Senior Lien Bonds. The Authority will keep at its principal office, or will cause a Paying Agent for the Series of Senior Lien Bonds of which such Senior Lien Bond is one to keep at its principal office, sufficient books for the registration and transfer of the Senior Lien Bonds (the Authority or such Paying Agent, as the case may be, keeping such books being hereinafter referred to as the "Registrar"). The Authority may designate a Co-Registrar for a particular Series of Senior Lien Bonds in the Supplemental Senior Lien Resolution authorizing the issuance thereof and, in such event such Co-Registrar shall perform all of the functions and duties of the Registrar provided in this Resolution and such Supplemental Senior Lien Resolution. Such books, if not kept by the Authority itself, shall at all times be open to inspection by the Authority. The Registrar, upon presentation to it for such purpose shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, as hereinafter set forth, Senior Lien Bonds for which it serves as such Registrar.

Unless or except as may otherwise be provided in the Supplemental Senior Lien Resolution authorizing the issuance of a Series of Senior Lien Bonds, any Senior Lien Bond may, in accordance with its terms, be transferred upon the books of registry required pursuant to the provisions of this section to be kept therefor, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Senior Lien Bond, accompanied by delivery of a written instrument of transfer duly executed and in form satisfactory to the Registrar therefor. Whenever any Senior Lien Bond shall be surrendered for transfer, the Authority shall execute, and the Registrar therefor shall deliver or cause to be delivered, a new duly executed Senior Lien Bond or Senior Lien Bonds, of the same Series, interest rate and maturity and for a like aggregate principal sum. Unless or except as may otherwise be provided in the Supplemental Senior Lien Resolution authorizing the issuance of such Senior Lien Bond, the Registrar may charge a sum not exceeding the actual cost thereof for each new Senior Lien Bond delivered upon any such transfer and shall require the payment by the Senior Lien Bondholder requesting such transfer of any tax or other governmental charges required to be paid with respect to such transfer. Unless otherwise provided in the Supplemental Senior Lien Resolution authorizing the issuance of such Series of Senior Lien Bonds, no transfer of a Senior Lien Bond shall be required to be made after the Record Date,

nor during the forty-five (45) days next preceding the date fixed for redemption of Senior Lien Bonds of the Series of which such Senior Lien Bond is a part.

Unless otherwise provided in the Supplemental Senior Lien Resolution authorizing the issuance of such Series of Senior Lien Bonds, any Senior Lien Bond may be exchanged at the principal office of the Registrar therefor for a like aggregate principal amount of Senior Lien Bonds in authorized principal sums of the same Series, interest rate and maturity (or for a like aggregate principal amount of Senior Lien Bonds in other authorized principal sums of the same Series, interest rate and maturity), and the Authority shall execute the Senior Lien Bond or Senior Lien Bonds to be delivered upon such exchange and the Registrar shall deliver the Senior Lien Bond or Senior Lien Bonds to be delivered upon such exchange. Unless or except as may otherwise be provided in the Supplemental Senior Lien Resolution authorizing the issuance of such Senior Lien Bonds, the Registrar may charge a sum not exceeding the actual cost thereof for each new Senior Lien Bond delivered upon any exchange (except in the case of an exchange of temporary Senior Lien Bonds for definitive Senior Lien Bonds, the first exchange of a Senior Lien Bond and such other free exchanges of Senior Lien Bonds as may be provided in the Supplemental Senior Lien Resolution authorizing their issuance, all of which exchanges shall be at the expense of the Authority). The Registrar shall require the payment by the Senior Lien Bondholder requesting such exchange of any tax or other governmental charges required to be paid with respect to such exchange. Unless otherwise provided in the Supplemental Senior Lien Resolution providing for the issuance of a Series of Senior Lien Bonds, no such exchange shall be required to be made after the Record Date, nor during the forty-five (45) days next preceding the date fixed for redemption of Senior Lien Bonds of the Series of which such Senior Lien Bond is a part.

All Senior Lien Bonds surrendered pursuant to this section shall be cancelled.

If so requested by the Holder of a Senior Lien Bond, any Registrar in lieu of delivering such Senior Lien Bond to such Holder as above provided, may mail the same to such Holder at his risk and expense.

The Authority and any Paying Agent hereunder and any other person may deem and treat the person in whose name any Senior Lien Bond shall at the time be registered on the books of registry kept therefor pursuant to this section, as the absolute owner of such Senior Lien Bond for all purposes whatsoever, including payment thereof, and neither the Authority nor any Paying Agent hereunder shall be affected by any notice to the contrary. The payment of or on account of principal to or upon the order of the person in whose name a Senior Lien Bond shall at the time be registered on said books of registry and the payment of interest to or upon the order of any person in whose name any Senior Lien Bond shall at the time be registered on said books of registry, shall be valid and effectual fully to satisfy and discharge all liability of the Authority and any Paying Agent upon such Senior Lien Bond to the extent of the sum or sums so paid.

Section 2.11. Execution and Authentication of Senior Lien Bonds. Unless and except as otherwise provided in a Supplemental Senior Lien Resolution authorizing the issuance of a Series of Senior Lien Bonds, the Senior Lien Bonds shall be executed in the name of the Authority by the manual or facsimile signature of the Chairman or other authorized officer of the Authority

and the seal of the Authority (or a facsimile thereof) may be impressed, imprinted, engraved or otherwise reproduced thereon and attested by the manual or facsimile signature of the Secretary or other authorized officer of the Authority, or in such other manner as may be required or permitted by law. In case any one or more of the officers who shall have signed or sealed any of the Senior Lien Bonds shall cease to be such officer before the Senior Lien Bonds so signed and sealed shall have been authenticated and delivered by the Registrar therefor, such Senior Lien Bonds may, nevertheless, be authenticated and delivered as herein provided, and may be issued as if the persons who signed or sealed such Senior Lien Bonds had not ceased to hold such offices. Any Senior Lien Bond of a Series may be signed and sealed on behalf of the Authority by such persons as at the time of the execution of such Senior Lien Bonds shall be duly authorized or hold the proper office in the Authority, although at the date borne by the Senior Lien Bonds of such Series such persons may not have been so authorized or have held such office.

Unless and except as otherwise provided in a Supplemental Senior Lien Resolution authorizing the issuance of a Series of Senior Lien Bonds, the Senior Lien Bonds of each Series shall bear thereon a certificate of authentication in such form as provided in the Supplemental Senior Lien Resolution authorizing the issuance of such Series of Senior Lien Bonds and executed manually by an authorized officer of the Registrar therefore as registration agent for the Authority. Unless and except as otherwise provided in a Supplemental Senior Lien Resolution authorizing the issuance of a Series of Senior Lien Bonds, only such Senior Lien Bonds as shall bear thereon such certificate of authentication shall be entitled to any right or benefit under this Resolution and no Senior Lien Bond shall be valid or obligatory for any purpose until such certificate of authentication shall have been duly executed by an authorized officer of the Registrar therefor. Any such certificate of the Registrar therefor upon any Senior Lien Bond executed on behalf of the Authority shall be conclusive evidence that the Senior Lien Bond so authenticated has been duly authenticated and delivered under this Resolution and the Holder of such Senior Lien Bond is entitled to the benefits and security of this Resolution.

In the event the Authority is acting as Paying Agent and Registrar for a Series of Senior Lien Bonds no authentication of Senior Lien Bonds of such Series shall be required.

Section 2.12. Mutilated, Lost, Stolen or Destroyed Senior Lien Bonds. In the event any Senior Lien Bond is mutilated, lost, stolen or destroyed, the Authority may execute and the Registrar therefor authenticate and deliver a new Senior Lien Bond of like Series, date, tenor, maturity and denomination as the Senior Lien Bond mutilated, lost, stolen or destroyed, provided that, in all cases there shall be first furnished to the Authority and the Registrar for such Series of Senior Lien Bonds indemnity and evidence of ownership of such Senior Lien Bond satisfactory to each of them, and in the case of any mutilated Senior Lien Bond, such mutilated Senior Lien Bond shall first be surrendered to the Authority or Registrar for the Series of which such Senior Lien Bond is one, and in the case of any lost, stolen or destroyed Senior Lien Bond, there shall be first furnished to the Authority and the Registrar for such Series of Senior Lien Bonds evidence of such loss, theft or destruction satisfactory to each of them. In the event any such mutilated, lost, stolen or destroyed Senior Lien Bond shall have matured, or would have matured within sixty days, or has been called for redemption and the redemption date has arrived or will arrive within sixty days, instead of issuing a substitute Senior Lien Bond the Authority upon being furnished with indemnity and evidence of mutilation, loss, theft or destruction, as aforesaid, may pay or direct the

Paying Agent for such Series of Senior Lien Bonds to pay the same without surrender thereof. The Authority may charge the owner of such Senior Lien Bond with its reasonable fees and expenses in this connection. Any Senior Lien Bond issued under the provisions of this section shall be equally and proportionately entitled in accordance with its terms to the security and benefits of this Resolution with the Senior Lien Bonds then Outstanding of the Series of Senior Lien Bonds of which such mutilated, lost, stolen or destroyed Senior Lien Bond was one. All mutilated Senior Lien Bonds surrendered pursuant to this section shall be cancelled.

Section 2.13. Temporary Senior Lien Bonds. Until the definitive Senior Lien Bonds of any Series are prepared, the Authority may execute, and, upon the request of the Authority, the Registrar therefor shall authenticate and deliver, in lieu of definitive Senior Lien Bonds but subject to the same provisions, limitations and conditions as the definitive Senior Lien Bonds, one or more temporary Senior Lien Bonds substantially of the tenor of the definitive Senior Lien Bonds in lieu of which such temporary Senior Lien Bond or Senior Lien Bonds are issued, and with such omissions, insertions and variations as may be appropriate to temporary Senior Lien Bonds. The Authority at its own expense shall prepare and execute and, upon the surrender of such temporary Senior Lien Bonds for exchange and the cancellation of such surrendered temporary Senior Lien Bonds, the Registrar therefor shall authenticate and, without charge to the Holder of such Senior Lien Bond, deliver in exchange therefor definitive Senior Lien Bonds of the same Series, date, tenor, aggregate principal amount and maturity as the temporary Senior Lien Bonds surrendered. Until so exchanged each temporary Senior Lien Bonds shall in all respects be equally and proportionately entitled in accordance with its terms to the same benefits and security of this Resolution as definitive Senior Lien Bonds authenticated and issued pursuant to this Resolution.

All temporary Senior Lien Bonds surrendered in exchange either for another temporary Senior Lien Bond or Senior Lien Bonds or for a definitive Senior Lien Bond or Senior Lien Bonds shall be forthwith cancelled by the Registrar.

Section 2.14. Book Entry. The Authority may provide in the Supplemental Senior Lien Resolution authorizing the issuance of a particular Series of Senior Lien Bonds that such Series shall be in book entry form and setting forth the terms and conditions in connection therewith. In the event that a Series of Senior Lien Bonds is issued in book-entry form the Authority may act as Paying Agent and Registrar in accordance with the provisions hereof and as determined in the Supplemental Senior Lien Resolution authorizing the issuance of such Series of Senior Lien Bonds.

ARTICLE III

CONSTRUCTION FUND

Section 3.01. Construction Fund and Accounts Therein. There is hereby created and established hereunder a separate special fund of the Authority, which fund shall be held and administered by the Authority hereunder and be designated the "Tucson Airport Authority Construction Fund" (herein defined and referred to as the "Construction Fund"). There are hereby created two accounts in the Construction Fund, one of which shall be known and designated as the "Construction Account" (hereinafter referred to as the "Construction Account") and the other of

which shall be known and designated as the “Construction Interest Account” (hereinafter referred to as the “Construction Interest Account”).

In connection with the issuance of a Series of Additional Senior Lien Bonds hereunder for the purposes of paying Project Costs of airport projects constituting an Airport Purpose, the Authority shall in the Supplemental Senior Lien Resolution authorizing such Series of Additional Senior Lien Bonds create a Construction Account in the Construction Fund from which such Project Costs shall be paid, and shall provide for a credit to such account of that amount of the proceeds of such Series of Additional Senior Lien Bonds which are to be applied to the payment of such Project Costs. In the event that the interest on such Series of Additional Senior Lien Bonds is to be provided from the proceeds of such Senior Lien Bonds, the Authority in the Supplemental Senior Lien Resolution authorizing such Series of Additional Senior Lien Bonds shall specify the amount of such proceeds to be applied to the payment of such interest or the formula for determining such amount, and shall establish a Construction Interest Account in the Construction Fund, to which shall be credited the amount of the proceeds so specified.

The monies on deposit from time to time in a Construction Account or Construction Interest Account in the Construction Fund shall be held under and subject to this Resolution; shall be subject to the liens, pledges, charges, assignments and trusts created hereby for the security and benefit of the Holders of the Series of Senior Lien Bonds for which such Accounts were created; and shall be used and applied solely to the payment of Project Costs of the Airport System, in accordance with the remaining provisions of this section.

For the purpose of this Resolution: (i) the word “construction” shall include acquisition, construction, reconstruction, purchase, establishment, development, expansion, remodeling, renovating, adding to or improving; (ii) the word “acquisition” shall include the remodeling or renovation of buildings and facilities acquired; and (iii) the term “Project Costs” shall include any and all of the following pertaining to the construction (as above defined) of properties included or to be included in the Airport System:

- (a) the cost of acquiring any building or facility and the site thereof;
- (b) costs of acquiring such land, rights, rights of way, leases, easements or other interest in land or other properties (real, personal or mixed) as may be deemed necessary or convenient by the Authority for the construction or operation of the Airport System, including costs of options and partial payments, escrow deposits, preliminary and final awards or judgments and settlements or compromises, with respect to the foregoing; costs of reclaiming land; costs of dredging or filling incurred in the creation of land; and site preparation, including the costs of demolishing, removing or relocating any building or facility and the costs of any lands to which such building or facility may be removed or relocated;
- (c) costs of acquiring any rights, interests or franchises deemed necessary or convenient by the Authority for the construction or operation of the Airport System;

(d) costs of labor, services, material, supplies, machinery, equipment and apparatus, including payments to contractors, builders and materialmen in connection therewith, and of restoration of property damaged or destroyed in connection with construction work;

(e) costs of installation of utility services or connections thereto or relocation thereof,

(f) costs and expenses of all preliminary work necessary or incidental to construction;

(g) costs and expenses of planning, engineering and other studies, architectural drawings, surveys, tests and specifications, whether preliminary or otherwise; and costs of other engineering and architectural and other consulting services;

(h) costs of supervision and inspection;

(i) costs of builders' risk or other insurance on the buildings and facilities being constructed, or a reasonably allocated share thereof;

(j) costs of indemnity and fidelity bonds and expenses of administration properly chargeable to such construction;

(k) costs and expenses of financing, including Trustee's, Paying Agents' and Remarketing Agent's fees and expenses during such period, if any, as shall be determined by the Authority; and costs incurred in issuing the Senior Lien Bonds, including bond insurance premiums, printing, engraving and advertising; and other similar costs;

(l) costs of the initial furnishings of any building or structure;

(m) costs of publication, advertising, filing and recording;

(n) taxes and assessments;

(o) expenses incurred in enforcing any remedy against a contractor or subcontractor in respect of any default;

(p) costs of economic feasibility reports whether preliminary or otherwise; fees, costs and expenses of appraising, printing, advice, accounting and fiscal services, airport consultants, financial consultants, attorneys (including bond counsel), clerical help and other independent contractors, agents and employees;

(q) the payment and discharge of the principal of and interest and premium, if any, on any interim or temporary construction financing or loans, including the reimbursement to the Authority of monies advanced for such construction from other funds;

(r) if and to the extent (i) permitted by law and (ii) determined by the Authority, interest on the Senior Lien Bonds issued to finance the construction of any project during the estimated period of construction and for one year after the completion thereof; and

(s) any and all other costs and expenses necessary or desirable and pertaining or incident to construction of any project, as estimated or otherwise ascertained by the Authority.

The Authority may deposit proceeds of any Series of Senior Lien Bonds in the Construction Fund which proceeds are to be used to pay costs referred to in (k) above allocable to any portion of such Series of Senior Lien Bonds the proceeds of which will be used to refund bonds, notes or other evidences of indebtedness or to reimburse the Authority for costs paid from the Airport Improvement Fund.

Withdrawals of monies on deposit in the Construction Fund (but not including monies on credit to a Construction Interest Account therein) shall be made only in accordance with applicable law and upon a written requisition for such payment signed by the Designated Financial Officer and, in the case of clauses (d), (e), (f), (g), (h), (i), and (j) of the preceding paragraph of this section, by the engineer or architect (who may be an engineer or architect in the employ of the Authority), if any, supervising the construction of the project to which such requisition pertains stating:

(i) the amount to be paid and the name of the person to whom payment is due;

(ii) that an obligation in the stated amount has been incurred by the Authority and has not theretofore been paid;

(iii) that the payment of such amount is a proper charge against such Construction Account and specifying the purpose and circumstances of such obligation in reasonable detail, accompanied by a bill or statement of account for such obligation;

(iv) that the signers have no notice of any vendor's, mechanic's or other liens or rights to liens, or conditional sales contracts, or other contracts or obligations, which have not been released or will not be released simultaneously with such payment and which should be satisfied or discharged before such payment is made;

(v) with respect to Senior Lien Bonds the interest on which is excludable from gross income for federal income tax purposes, that of the total amount of the proceeds of the Senior Lien Bonds theretofore applied and the amount then being requisitioned, no less than ninety-five percent (95%) has been or will be expended as of the date of such requisition for the qualified cost of the Airport within the meaning of Section 142(a)(1) of the Internal Revenue Code of 1986, as amended;

(vi) that such requisition contains no item representing payment on account of any retained percentages which the Authority is, as of the date of such requisition, entitled to retain; and

(vii) with respect to any such requisition for payment for labor, services, materials, supplies, furnishings, apparatus or equipment, that such labor or services were actually performed or such materials, supplies, furnishings, apparatus or equipment were actually used in or about the construction of the project or delivered at the site thereof for such purpose, or delivered for storage or fabrication at a place or places approved by the signers and under the control of the Authority, or if not so used or delivered, that an advance payment therefor is required by the supplier thereof.

Monies in the Construction Fund on credit to a Construction Interest Account therein shall be applied by the Authority as follows: on each Interest Payment Date until the monies in such Construction Interest Account are exhausted there shall be withdrawn from the monies credited to such account and deposited in the Senior Lien Bond Fund for credit to the Senior Lien Interest Account established for the Series of Senior Lien Bonds the interest on which is to be provided from the monies on credit to such Construction Interest Account an amount, together with accrued interest received upon the sale of the Series of Senior Lien Bonds with respect to which such Construction Interest Account was established, equal to the interest to become due on the next ensuing Interest Payment Date, on the Series of Senior Lien Bonds, the interest on which is to be provided from the monies on credit to such Construction Interest Account.

Monies on deposit to the Construction Fund and credited to a Construction Account therein shall be invested and reinvested to the extent reasonable and practicable in Investment Securities maturing in such amounts and at such times as is anticipated by the Authority will provide monies required to pay the Project Costs to be satisfied from such Fund, and monies on deposit in the Construction Fund and credited to a Construction Interest Account shall be invested and reinvested to the extent reasonable and practicable in Investment Securities maturing in such amounts and at such times so that the transfers required by the preceding paragraph to be made therefrom can be made when due. The interest and income derived from all such investments shall be credited to the Account from which such investment is made, to be used and applied as are the other monies credited to such Account.

The annual audit to be made pursuant to Section 5.14 hereof shall include the Construction Fund, and shall show all receipts of such Fund and each Account therein, the investments held therein and the disbursements and withdrawals therefrom.

Until used and applied in accordance with the foregoing provisions of this section, (i) all monies on deposit in the Construction Fund shall be secured in the manner provided by law, and (ii) all monies on deposit in the Construction Fund and the securities in which such monies may from time to time be invested shall be held in trust for the equal and ratable benefit and security of all the Senior Lien Bonds and shall be subject to the liens, pledges and charges created by Section 2.01 hereof.

With respect to Senior Lien Bonds the interest on which is excludable from gross income for federal income tax purposes, the Authority will maintain records to enable the Authority to cause to be made the computations necessary to determine whether the Senior Lien Bonds meet the requirements of Section 148 of the Internal Revenue Code of 1986 and the regulations thereunder, including, but not limited to, records showing the dates and

amounts of all investments of funds held in the Construction Fund and the dates and amounts of the receipts of the earnings, sales proceeds and maturities of such investments.

All monies and securities remaining in the Construction Fund which are derived from Senior Lien Bonds the interest on which is excludable from gross income for federal income tax purposes shall be applied by the Authority after the completion of any project for one or more of the following purposes:

- (i) rebate to the extent required by the preceding paragraph; or
- (ii) deposit to the Senior Lien Bond Fund for purchase and cancellation of Senior Lien Bonds or redemption of Senior Lien Bonds at the earliest practicable redemption date, as provided in Section 4.02 hereof; or
- (iii) payment of the cost of any additional exempt facilities (as that term is defined in Section 142(a)(1) of the Internal Revenue Code of 1986; as amended), provided that the Authority shall have adopted such resolutions as may be necessary to provide for the financing of such facilities and provided further that the Authority shall have obtained a written opinion of a firm of nationally recognized Senior Lien Bond counsel that such application will not impair the exemption from federal income taxation of the interest on any of the Senior Lien Bonds; or
- (iv) for any other purpose which in the opinion of a firm of nationally recognized Senior Lien Bond counsel will not impair the exemption from federal income taxation of interest on any of the Senior Lien Bonds.

All other monies and securities remaining in the Construction Fund after the completion of any project may be applied for any Airport Purpose as directed by the Authority.

ARTICLE IV

ESTABLISHMENT OF CERTAIN FUNDS; APPLICATION OF FUND PROCEEDS; INVESTMENTS

Section 4.01. Establishment of Special Funds and Accounts; Application of Revenues. (a) The following funds shall be established and maintained for so long as any of the Senior Lien Bonds, are Outstanding:

- (1) The Tucson Airport Authority Revenue Fund (the “Revenue Fund”);
- (2) The Tucson Airport Authority Senior Lien Bond Fund (the “Senior Lien Bond Fund”) and the Interest Account, Serial Bond Principal Account and Term Bond Principal Account therein, as provided in Section 4.02 hereof;
- (3) The Tucson Airport Authority Senior Lien Bond Reserve Fund (the “Senior Lien Bond Reserve Fund”), as provided in Section 4.03 hereof;

(4) The Tucson Airport Authority Operation and Maintenance Reserve Fund (the “Operation and Maintenance Reserve Fund”);

(5) The Tucson Airport Authority Maintenance Reserve Fund (the “Maintenance Reserve Fund”); and

(6) The Tucson Airport Authority Airport Improvement Fund (the “Airport Improvement Fund”), including such accounts therein as may be established by the Authority.

The monies deposited, or to be deposited, in the Revenue Fund shall not be commingled with any other monies of the Authority; shall be used and applied only in the manner and for the purposes hereinafter provided in this section; and shall be withdrawn from said Fund for said purposes only in accordance with such procedure as is provided by law. Until used and applied as provided in this section, all monies in the Revenue Fund and the securities in which such monies may from time to time be invested shall be held hereunder in trust for the equal and ratable benefit and security of all the Senior Lien Bonds and shall be subject to the liens, pledges and charges created by Section 2.01 hereof.

All Revenues shall be collected by or for the account of the Authority and shall be set aside as collected and, except as is specifically provided otherwise herein, shall be deposited in the Revenue Fund.

(b) The monies in the Revenue Fund shall be used and applied at the following times, in the following amounts, for the following purposes and in the following order of priority:

First, there shall be set aside and reserved each month the amount which the Authority determines to be required to pay Operation and Maintenance Expenses.

Second, there shall be applied and deposited each month into the Senior Lien Bond Fund and the Accounts therein the amount required by this Resolution to be used for the purposes specified herein.

Third, there shall be applied the amount necessary to pay principal of, premium, if any, and interest on Subordinate Lien Bonds and Junior Subordinate Obligations for any corporate use or purpose of the Authority relating to the Airport System payable as to principal and interest from Net Revenues subject and subordinate, and secured by a lien and pledge of Net Revenues junior and inferior, to the lien and pledge of the Net Revenues herein created for the payment and security of the Senior Lien Bonds, in the funds and accounts established therefor.

Fourth, there shall be applied and deposited the amount required by this Resolution, if any, to be deposited in the Senior Lien Bond Reserve Fund.

Fifth, there shall be applied the amount required, if any, to be deposited in any reserve fund or account established with respect to any Subordinate Lien Bonds or Junior Subordinate Obligations referred to in clause Third above.

Sixth, there shall be applied and deposited to the Operation and Maintenance Reserve Fund, an amount equal to one-fourth (1/4) of the Operation and Maintenance Expenses estimated and budgeted for the Fiscal Year.

Seventh, from and after October 1, 2008, there shall be applied and deposited to the Maintenance Reserve Fund an amount during each Fiscal Year of not less than \$1,000,000 or such greater amount as specified by the Authority in its annual budget for such Fiscal Year, provided that no amounts are required to be deposited into the Maintenance Reserve Fund (i) at any time or times that such Fund contains an amount equal to or greater than 2.0% of gross depreciable assets of the Authority according to its most recently available audited financial statements, or (ii) during any period for which the Board of the Authority has made a determination that deposits into the Maintenance Reserve Fund are not in the best interests of the Authority due to extraordinary circumstances.

Eighth, at the end of each Fiscal Year, after making all deposits and credits required as described in “First” through “Seventh” of this subsection (b), all monies remaining on deposit in the Revenue Fund shall be applied and deposited into the Airport Improvement Fund and to the various accounts established therein by the Authority and, subject to any other contractual obligations of the Authority, shall be applied from time to time to any Airport Purpose as determined by the Authority by resolution of the Board.

Section 4.02. Senior Lien Bond Fund and Accounts Therein. There is hereby created and established hereunder a separate special trust fund of the Authority to be known and designated as the “Tucson Airport Authority Senior Lien Bond Fund” (herein defined and referred to as the “Senior Lien Bond Fund”), and to be held and administered by the Authority hereunder so long as any of the Senior Lien Bonds are Outstanding. The Authority is hereby obligated to, and shall, set aside and deposit in said Fund the Net Revenues pledged hereunder, to the extent necessary to provide for the punctual payment of the principal of and interest and premium, if any, on the Senior Lien Bonds as and when the same become due, whether such due date be by reason of stated maturity or by redemption or by declaration, as hereinafter provided, or otherwise.

The monies on deposit to the Senior Lien Bond Fund pursuant to this Resolution shall be used solely for the payment of principal and interest and premium, if any, due upon the Senior Lien Bonds. The Authority shall make whatever arrangements with the Paying Agents for the Senior Lien Bonds of each Series that may be necessary so that the Senior Lien Bonds payable at the offices of such Paying Agents which are presented to such Paying Agents may be paid as and when the same become due.

The monies deposited in the Senior Lien Bond Fund pursuant to this Resolution shall not be commingled with any other monies of the Authority; shall be used and applied only in the manner and for the purposes hereinafter provided in this section; and shall be withdrawn from said Fund for said purposes only in accordance with such procedure as is provided by law. Until used and applied as hereinafter provided in this section, all monies in the Senior Lien Bond Fund and the securities in which such monies may, from time to time be invested, shall be held hereunder in trust for the equal and ratable benefit and security of all the Senior Lien Bonds and shall be subject to the liens, pledges and charges created by Section 2.01 hereof.

Supplemental to the foregoing provisions of this section, there shall be deposited in the Senior Lien Bond Fund: (i) the monies, if any, required by Section 3.01 to be deposited in this Fund; (ii) any amounts held hereunder which, at the option and in the discretion of the Authority may be applied to the purchase or redemption of Senior Lien Bonds, to the extent the Authority has determined that such monies shall be applied to such purposes and such application is permitted by the provisions hereof; and (iii) Net Revenues, in the following amounts and at the following times:

(a) Interest Account. There is hereby created a separate account in the Senior Lien Bond Fund for each Series of Senior Lien Bonds issued hereunder each to be known as an "Interest Account" which shall be disbursed by the Authority solely for the purpose of paying interest on the Senior Lien Bonds of the Series for which such Interest Account was created as the same becomes due and may not be applied to the payment of interest on any other Series of Senior Lien Bonds. In each month, commencing with the last business day of the month which follows the last month for which interest on such Series of Senior Lien Bonds, if any, is fully provided from monies credited to a Construction Interest Account, (a) with respect to each Series of Senior Lien Bonds (other than Variable Rate Senior Lien Bonds or Senior Lien Commercial Paper Program Bonds which have Interest Payment Dates occurring at intervals of one month or less), commencing on such last business day and continuing on the last business day of each month thereafter so long as any of the Senior Lien Bonds of each such Series are Outstanding, the Authority shall credit to the Interest Account established for each such Series of Senior Lien Bonds an amount such that, if the same amount were so credited to each such Interest Account on the last business day of each succeeding month thereafter, the aggregate of such amounts on credit to each such Interest Account on the last business day of the month preceding an Interest Payment Date will be equal to the installment of interest falling due on the Senior Lien Bonds of such Series on such Interest Payment Date or the amount required to reimburse the Financial Institution for a draw on the Support Facility made to provide funds for the payment thereof, and (b) with respect to Variable Rate Senior Lien Bonds or Senior Lien Commercial Paper Program Bonds (which have Interest Payment Dates occurring at intervals of one month or less), on the last business day prior to each Interest Payment Date the Authority shall credit to each Interest Account the amount required together with other funds available therefor in the Interest Account, to pay, or to reimburse the Financial Institution for a draw on the Support Facility made to provide funds for the payment of, the interest payable on each Series of Outstanding Variable Rate Senior Lien Bonds or Senior Lien Commercial Paper Program Bonds on such Interest Payment Date.

In making the foregoing credits to each Interest Account, consideration shall be given to and allowance made for accrued interest received upon the sale of a Series of the Senior Lien Bonds deposited in the Senior Lien Bond Fund and credited to the appropriate Interest Account and for other credits made or to be made to a particular Interest Account from monies credited to a Construction Interest Account.

(b) Serial Bond Principal Account. There is hereby created a separate account in the Senior Lien Bond Fund for each Series of Senior Lien Bonds issued hereunder, each to be known as a "Serial Bond Principal Account" which shall be disbursed by the Authority solely for the purpose of paying principal on the Senior Lien Bonds of the Series for

which such Serial Bond Principal Account was created as the same becomes due and may not be applied to the payment of principal on any other Series of Senior Lien Bonds. In the event of the issuance of any Series of Senior Lien Bonds hereunder maturing at times customarily known as maturing serially, in order to provide for the payment of principal of such Senior Lien Bonds of such Series, or to reimburse the Financial Institution for a draw on the Support Facility made to provide funds for the payment of, such Series of Senior Lien Bonds maturing serially, commencing with the month which is twelve months prior to the first principal payment of any of such Senior Lien Bonds maturing serially and in each month thereafter so long as any of such Series of Senior Lien Bonds so maturing are Outstanding, there shall be credited to the Serial Bond Principal Account established for such Series of Senior Lien Bonds an amount such that, if the same amount were so credited to such Account on the first business day of each succeeding month thereafter prior to the next date upon which the principal of any of said Series of Senior Lien Bonds maturing serially becomes due and payable, the aggregate of the amounts on credit to such Account will on each such next principal payment date be equal to the principal amount of said Series of Senior Lien Bonds becoming due on such principal payment date.

In making the foregoing credits to each Serial Bond Principal Account, consideration shall be given to and allowance made for other credits made or to be made to a particular Serial Bond Principal Account.

(c) Term Bond Principal Account. There is hereby created a separate account in the Senior Lien Bond Fund for each Series of Senior Lien Bonds issued hereunder, each to be known as an “Term Bond Principal Account” which shall be disbursed by the Authority solely for the purpose of paying principal on the Senior Lien Bonds of the Series for which such Term Bond Principal Account was created as the same becomes due and may not be applied to the payment of principal on any other Series of Senior Lien Bonds. In the event of the issuance of any Series of Senior Lien Bonds hereunder in the form customarily known as “term Senior Lien Bonds”, for the purpose of retiring such Senior Lien Bonds, or to reimburse the Financial Institution for a draw on the Support Facility made to provide funds for the payment of, such term Senior Lien Bonds, commencing with the month which is twelve months immediately prior to the date upon which the first sinking fund installment to provide for the retirement of such term Senior Lien Bonds is due, and in each month thereafter so long as any of such Senior Lien Bonds are Outstanding, there shall be credited to each Term Bond Principal Account an amount such that, if the same amount were so credited to this Account on the first business day of each succeeding month thereafter prior to the next date upon which a sinking fund installment falls due, the aggregate of the amounts on credit to each such Account will on each such next date upon which a sinking fund installment falls due be sufficient to redeem such term Senior Lien Bonds in the principal amounts and at the times specified in the Supplemental Senior Lien Resolution authorizing the issuance thereof. The respective amounts of monies credited to the Term Bond Principal Account for the purpose of providing for the retirement of the term Senior Lien Bonds of a particular Series shall be applied to the redemption of such Senior Lien Bonds of such Series on each date on which such an installment for said Senior Lien Bonds is due in the respective principal amounts required by the Supplemental Senior Lien Resolution providing for the issuance of the Senior Lien Bonds of such Series to be on credit to this Account on each such date, or, if so determined by the Authority, semi-annually on both such due dates and the day six months prior to such due date,

in the respective principal amounts on credit to this Account on such days for the Senior Lien Bonds of such Series, so that the aggregate amount so applied in each calendar year will equal the respective principal amount required by the respective Supplemental Senior Lien Resolution providing for their issuance to be credited to this Account on such installment dates. The Authority may also apply the monies credited to this Account for the retirement of Senior Lien Bonds of a particular Series issued in term form to the purchase of those Senior Lien Bonds, in which event the principal amount of said Senior Lien Bonds required to be redeemed on the next respective ensuing installment date shall be reduced by the principal amount of the Senior Lien Bonds so purchased; provided, however, that no Senior Lien Bonds shall be purchased during the interval between the date on which notice of redemption of said Senior Lien Bonds from such installment is given and the date of redemption set forth in such notice, unless the Senior Lien Bonds so purchased are Senior Lien Bonds called for redemption in such notice or are purchased from monies other than those credited to this Account; and provided further, that no purchase of Senior Lien Bonds shall be made if such purchase would require the sale at a loss of securities credited to the Term Bond Principal Account unless the difference between the actual purchase price (including accrued interest and any brokerage or other charge) paid for such Senior Lien Bonds and the then maximum purchase price (plus accrued interest) permitted to be paid therefor, is greater than the loss upon the sale of any such securities. Any purchase of Senior Lien Bonds pursuant to this paragraph may be made with or without tenders of Senior Lien Bonds and at either public or private sale, but in any event at a purchase price (including accrued interest and any brokerage or other charge) not to exceed the then applicable redemption price of such Senior Lien Bonds, plus accrued interest. All Senior Lien Bonds purchased or redeemed pursuant to this paragraph shall be cancelled and not reissued.

In making the foregoing credits to each Term Bond Principal Account, consideration shall be given to and allowance made for other credits made or to be made to a particular Term Bond Principal Account.

The monies on deposit in the Senior Lien Bond Fund on credit to the Interest Account, Serial Bond Principal Account and Term Bond Principal Account shall be transferred to the respective Paying Agents for said Senior Lien Bonds in such amounts and at such times as shall be necessary to pay the principal of, premium, if any, and interest on said Senior Lien Bonds as the same become due and payable, whether upon their maturity or upon the redemption or the purchase thereof from the monies credited to the Term Bond Principal Account or upon declaration, as hereinafter provided, or otherwise.

Section 4.03. Senior Lien Bond Reserve Fund. There is hereby created and established hereunder a separate special trust fund of the Authority, to be known and designated as the "Tucson Airport Authority Senior Lien Bond Reserve Fund" (herein defined and referred to as the "Senior Lien Bond Reserve Fund"), to be held and administered by the Authority hereunder so long as any of the Senior Lien Bonds are Outstanding. A separate account shall be established in the Senior Lien Bond Reserve Fund for each Series of Senior Lien Bonds issued hereunder for which the Supplemental Senior Lien Resolution authorizing such Series of Senior Lien Bonds establishes a Senior Lien Bond Reserve Fund Requirement, which may be zero (0), except that by Supplemental Senior Lien Resolution, such account may also be granted as additional security for one or more other Series of Senior Lien Bonds. Subject to the last sentence of this paragraph each such Account shall be maintained in an amount equal to the Senior Lien Bond Reserve Fund

Requirement with respect to the Series of Senior Lien Bonds secured thereby and shall be disbursed by the Authority solely for the purpose of paying principal of and interest on Senior Lien Bonds of the Series for which such account was established for the payment of which there shall be insufficient money in the Senior Lien Bond Fund and the Holders of any other Series of Senior Lien Bonds not secured by such account shall have no right to payment of principal of or interest on Senior Lien Bonds from or lien on amounts on deposit in such account. The Senior Lien Bond Reserve Fund Requirement shall be determined with respect to a Series of Senior Lien Bonds at the time of issuance of such Series of Senior Lien Bonds, September 30 of each year and such other time or times as the Authority shall determine.

Subject to the remaining provisions of this paragraph (a) if any time during a Fiscal Year the monies on deposit in the Senior Lien Bond Reserve Fund are less than the Senior Lien Bond Reserve Fund Requirement, the amount of the deficiency shall be restored from the first available Net Revenues; (b) if at the end of any Fiscal Year, the monies on deposit in the Senior Lien Bond Reserve Fund are less than the Senior Lien Bond Reserve Fund Requirement, the Authority shall deposit an amount in the Senior Lien Bond Reserve Fund from Net Revenues on deposit in the Revenue Fund after making the deposits "First" through "Fourth" as required by Section 4.01(b) so that there shall then be on deposit in the Senior Lien Bond Reserve Fund an amount equal to the Senior Lien Bond Reserve Fund Requirement, (c) if the deficiency in the Senior Lien Bond Reserve Fund is due to the withdrawal of monies on deposit therein to pay principal of or interest on a particular Series of Senior Lien Bonds then in each month, commencing with the month which follows the month in which such withdrawal is made from the Senior Lien Bond Reserve Fund, the Authority shall deposit from the Net Revenues on deposit in the Revenue Fund after making the deposits "First" through "Third" as required by Section 4.01(b) to the Senior Lien Bond Reserve Fund at least an amount which, if the same amount were so deposited to the Senior Lien Bond Reserve Fund in each month thereafter until the day which is sixty (60) months from the making of the first of such deposits, there shall be on deposit in the Senior Lien Bond Reserve Fund on such day an amount not less than the Senior Lien Bond Reserve Requirement for such Series of Senior Lien Bonds; and (d) if at any time and for so long as the monies on deposit in the Senior Lien Bond Reserve Fund are at least equal to the Senior Lien Bond Reserve Fund Requirement, no further deposits shall be made to the Fund, and any amounts in excess of the Senior Lien Bond Reserve Fund Requirement may be restored to the Revenue Fund for use and application as are all other monies on deposit therein.

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

The Supplemental Senior Lien Resolution providing for the issuance of a Series of Senior Lien Bonds shall provide for the initial funding of an Senior Lien Bond Reserve

Account for one or more Series of Senior Lien Bonds, which may be at such time or times and from such sources as specified in such Supplemental Senior Lien Resolution, and set forth such provisions regarding the removal and disposition of any arbitrage earnings in the accounts established in the Senior Lien Bond Reserve Fund for such Series of Senior Lien Bonds and such other provisions with respect to the accounts established in the Senior Lien Bond Reserve Fund for such Series of Senior Lien Bonds so as to enable the Authority to comply with the provisions of Section 5.21 hereof.

Whenever the total of the monies on deposit in the Senior Lien Bond Fund (regardless of the Account therein to which such monies are credited) and the Senior Lien Bond Reserve Fund with respect to particular Series of Senior Lien Bonds which are not required for the payment of principal and interest and premium, if any, which has theretofore become due (whether by maturity or upon redemption or by purchase or by declaration, as hereinafter provided, or otherwise) with respect to such Series of Senior Lien Bonds, but is unpaid, is sufficient to retire at maturity, or to redeem prior to maturity in accordance with their respective terms, all of the Senior Lien Bonds of such Series then Outstanding, together with interest thereon to their maturity date or the date fixed for the redemption thereof, no further deposits need be made to the Senior Lien Bond Fund or the Senior Lien Bond Reserve Fund with respect to such Series of Senior Lien Bonds, and without further authorization or direction of the Board, the proper officers of the Authority shall call for redemption all Senior Lien Bonds of such Series which may be redeemed by their terms, on the next succeeding redemption date for which the required redemption notice may practicably be given, and shall apply such total to such retirement or redemption.

In lieu of the deposit of monies in the Senior Lien Bond Reserve Fund, the Authority may cause to be so credited a surety bond or an insurance policy payable to the Authority for the benefit of the Holders of the Senior Lien Bonds of a Series or a letter of credit in an amount equal to the difference between the Senior Lien Bond Reserve Fund Requirement and the amounts then on deposit in the Senior Lien Bond Reserve Fund with respect to the Senior Lien Bonds of a Series. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any date on which monies will be required to be withdrawn from the Senior Lien Bond Reserve Fund and applied to the payment of the principal of or interest on any Senior Lien Bonds of such Series and such withdrawals cannot be made by amounts credited to the Senior Lien Bond Reserve Fund. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in one of the two highest rating categories by at least one Rating Agency. The letter of credit issuer shall be a bank or trust company which is rated in one of the two highest rating categories by at least one Rating Agency, and the letter of credit itself shall be rated in one of the two highest rating categories by at least one Rating Agency. If a disbursement is made pursuant to a surety bond, an insurance policy or a letter of credit provided pursuant to this paragraph the Authority shall be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit funds into the Senior Lien Bond Reserve Fund in accordance with clause (c) of the second paragraph of Section 4.02, or a combination of such alternatives, as shall provide that the amount credited to the Senior Lien Bond Reserve Fund equals the Senior Lien Bond Reserve Fund Requirement for such Series of Senior Lien Bonds.

If the issuer of a surety bond, insurance policy or letter of credit on deposit in the Senior Lien Bond Reserve Fund shall cease to have a rating described in the immediately preceding paragraph, the Authority shall use reasonable efforts to replace such surety bond, insurance policy or letter of credit with one issued by an issuer having a rating so described, but shall not be obligated to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement or to deposit Net Revenues in the Senior Lien Bond Reserve Fund in lieu of replacing such surety bond, insurance policy or letter of credit with another and such surety bond, insurance policy or letter of credit shall fully satisfy the Senior Lien Bond Reserve Requirement with respect to a particular Series of Senior Lien Bonds notwithstanding such decrease in rating.

Section 4.04. Maintenance Reserve Fund. Monies in the Maintenance Reserve Fund may be used to pay for (a) renewals, reconstruction and replacement of any facilities of the Authority, (b) acquiring and installing or replacing equipment, (c) major maintenance or repairs, (d) repairs or replacements for which other funds are inadequate, and (e) for any other Airport Purpose.

Section 4.05. Investment of Monies in Funds Other Than Construction Fund. Monies in the Senior Lien Bond Fund shall be invested and reinvested by the Authority to the extent reasonable and practicable in Investment Securities maturing in the amounts and at the times as determined by the Authority so that the payments required to be made from such Fund may be made when due. Monies on credit to the Senior Lien Bond Reserve Fund shall be invested in Investment Securities so as to mature by no later than the final maturity date of all Senior Lien Bonds then Outstanding. The Authority shall be authorized to sell any investment when necessary to make the payments to be made from the Funds (other than the Construction Fund) created hereby. All earnings on and income from investments of monies in the Funds (other than the Construction Fund) created hereby shall be deposited in the Revenue Fund, for use and application as are all other monies deposited in that Fund. Unless invested as above provided, all monies in the Funds referred to in this paragraph shall be secured in the manner provided by law for the securing of public funds.

All Investment Securities shall constitute a part of the respective Fund (other than the Construction Fund) and Account therein from which the investment in Investment Securities was made. Amounts in the Senior Lien Bond Reserve Fund shall be valued at the time of any withdrawal therefrom and as of September 30 of each year. For the purposes of making any calculations or computations at any time and from time to time of the amounts in any such Fund or Account, including the Senior Lien Bond Reserve Fund, which may be required for the purposes of this Resolution, all investments shall be valued at the then market value thereof.

The Authority will maintain records to enable it to cause to be made the computations necessary to determine whether a Series of Senior Lien Bonds the interest on which is excludable from gross income for federal income tax purposes meets the requirements of Section 148 of the Internal Revenue Code of 1986 and the regulations thereunder, including, but not limited to, records showing the dates and amounts of all investments of funds held in the Senior Lien Bond Fund and Senior Lien Bond Reserve Fund and the dates and amounts of the receipts of the earnings, sales proceeds and maturities of such investments.

ARTICLE V

PARTICULAR COVENANTS OF THE AUTHORITY

The Authority hereby covenants and agrees with the purchasers and Holders of all Senior Lien Bonds issued pursuant to this Resolution and any Supplemental Senior Lien Resolution as follows:

Section 5.01. Annual Airport Budget. The Authority before the beginning of each Fiscal Year shall prepare and adopt an annual budget for such Fiscal Year. Such budget shall set forth in reasonable detail Revenues anticipated to be derived in such Fiscal Year and the expenditures anticipated to be paid or provided for therefrom in such Fiscal Year including, without limitation, the amounts required to provide for the payment of the principal of, interest and premium, if any, on the Senior Lien Bonds during such Fiscal Year, to pay or provide for Operation and Maintenance Expenses for such Fiscal Year, to make up any deficiencies in any fund or account anticipated for the then current Fiscal Year, and to pay or provide for the payment of all other claims or obligations required to be paid from Revenues in such Fiscal Year. Such budget shall be open for inspection by the Holder of any Senior Lien Bond. The Authority shall mail either a copy of the budget or a copy of a summary thereof to any Holder of a Senior Lien Bond who shall file a written request therefor with the Authority.

Section 5.02. Covenant as to Rates, Rentals, Fees and Charges.

(1) The Authority shall impose and prescribe such schedule of rates, rentals, fees and charges for the use and services of and the facilities and commodities furnished by the Airport System, and shall revise the same from time to time whenever necessary, and collect the income, receipts and other monies derived therefrom, so that the Airport System shall be and always remain financially self-sufficient and self-sustaining. The rates, rentals, fees and charges imposed, prescribed and collected shall be such as will produce Revenues at least sufficient (i) to pay as and when the same become due all Operation and Maintenance Expenses, (ii) to pay the principal of and interest and premium on the Senior Lien Bonds, Subordinate Lien Bonds, and any Junior Subordinate Lien Obligations outstanding issued pursuant to Section 2.05 hereof, as and when the same become due (whether at maturity or upon required redemption prior to maturity or otherwise), and (iii) to carry out all provisions and covenants of this Resolution.

(2) Without limiting the provisions of paragraph (1) of this Section, at all times and in any and all events such rates, rentals, fees and charges shall be imposed, prescribed, adjusted, enforced and collected for each Fiscal Year which will yield for such Fiscal Year Net Revenues, together with the Coverage Transfer Amount, which will equal at least one hundred twenty-five percent (125%) of Senior Lien Aggregate Annual Debt Service during such Fiscal Year on all Senior Lien Bonds Outstanding.

For purposes of this subsection (2), the Coverage Transfer Amount taken into account shall not exceed twenty-five percent (25%) of Senior Lien Aggregate Annual Debt Service on Senior Lien Bonds Outstanding.

(3) The failure to comply with the covenant in subsections 1 and 2 of this Section 5.02 shall not constitute an Event of Default under this Resolution if the Authority shall promptly (i) cause an Airport Consultant to make a study for the purpose of making recommendations with respect to rates, rentals, fees and charges for the Airport System in order to provide funds for all the payments and other requirements as specified in subsections 1 and 2 of this Section 5.02; (ii) consider the recommendations of the Airport Consultant, and (iii) take such action as the Authority, in its discretion, may deem necessary to comply with subsections 1 and 2 of this Section 5.02.

Section 5.03. To Pay Principal, Premium and Interest of Senior Lien Bonds. The Authority will duly and punctually pay, or cause to be paid, but solely from Net Revenues and other monies pledged hereunder, the principal of and interest and premium, if any, on each and every Senior Lien Bond at the place, on the dates and in the manner provided herein and in said Senior Lien Bonds according to the true intent and meaning hereof and thereof.

Section 5.04. Possession of Land. The Authority covenants (i) that it is lawfully possessed of the Airport System as presently existing and that under the Lease the Authority is entitled to the exclusive possession of the Airport, subject to Permitted Encumbrances as defined hereinafter in this paragraph, and (ii) that it will continually defend its interest in the Airport System and every part thereof for the benefit of the Holders of the Senior Lien Bonds against the claims and demands of all persons whomsoever. If any defect (other than said Permitted Encumbrances) shall be discovered in the title to the Airport System, the Authority shall promptly take such action as may be necessary or proper to remedy or cure the same. For the purpose of this paragraph "Permitted Encumbrances" means, as of any particular time, (i) liens for ad valorem taxes, if any, not then delinquent; (ii) utility, access and other easements and rights of way, restrictions and exceptions that will not interfere with or impair the operations being conducted at the Airport System; (iii) mechanics', materialmen's and other liens as and to the extent permitted by and referred to in Section 5.18; (iv) encumbrances or restrictions imposed in any conveyances to the Authority of Airport System properties or interests therein by the Federal Government or the City of Tucson, Arizona, or other governmental body conveying properties to the Authority; and (v) such defects, irregularities, encumbrances, easements, rights of way, and clouds on title as normally exist with respect to properties similar in character to the Airport System and as do not, in the opinion of counsel (who may be counsel to the Authority), materially impair the use of the property affected thereby for the purpose for which it was acquired or is held by the Authority. Nothing contained in this Section 5.04 shall be construed as an acknowledgment that property owned or operated by the Authority is subject to any ad valorem taxes or mechanics' or materialmen's liens.

Section 5.05. Filings and Recordings. The Authority will comply with, or cause to be complied with, any written direction of Authority's bond counsel regarding the adoption of such Supplemental Senior Lien Resolutions, and the undertaking, execution, acknowledgment, delivery, filing, registration, recording, re-filing, re-registration or re-recording of such instruments as bond counsel directs are required for the better assuring, pledging, charging and confirming unto the Holders of the Senior Lien Bonds, the Net Revenues and other monies pledged hereunder to the payment of the principal of and interest and premium, if any, on the Senior Lien Bonds.

Section 5.06. To Complete Acquisitions and Constructions Promptly. The Authority will proceed with all reasonable dispatch to complete the acquisition, purchase, construction, improvement, betterment, extension, addition, reconstruction, restoration, equipping and furnishing of any properties the costs of which are to be paid from the proceeds of Senior Lien Bonds or from any other monies held hereunder.

Section 5.07. To Keep Airport System in Good Repair and to Make Improvements and Betterments Thereto. The Authority will maintain, preserve, keep and operate, or cause to be maintained, preserved, kept and operated, the properties constituting the Airport System {including all additions, improvements and betterments thereto and extensions thereof and every part and parcel thereof) in good and efficient repair, working order and operating condition in conformity with standards customarily followed in the aviation industry for airports of like size and character. The Authority will from time to time make all necessary and proper repairs, renewals, replacements and substitutions to said properties, and construct additions and improvements thereto and extensions and betterments thereof which are economically sound, so that at all times the business carried on in connection therewith shall and can be properly and advantageously conducted in an efficient manner and at reasonable cost.

Section 5.08. To Operate and Maintain Airport System. The Authority shall operate and maintain the Airport System as a revenue-producing enterprise and shall manage the same in the most efficient manner consistent with sound economy and public advantage and consistent with the protection of the Holders of the Senior Lien Bonds and so as to assure that the same shall be financially self-sufficient and self-sustaining.

Section 5.09. Lease. The Authority shall comply with, and enforce its rights under, the Lease. The Authority shall not consent to any amendments to the Lease which would impair or diminish the security and payment of the Senior Lien Bonds.

Section 5.10. Other Leases and Contracts. The Authority shall perform all contractual obligations undertaken by it under leases or agreements pertaining to or respecting the Airport System and shall enforce its rights thereunder. The Authority shall not enter into any contract or lease pertaining to the Airport System by which the rights, payment or security of the Senior Lien Bonds might be impaired or diminished.

Section 5.11. Governmental Approval. The Authority will perform any construction, reconstructions and restorations of, improvements, betterments and extensions to, and equipplings and furnishings of, and will operate and maintain the Airport System at standards required in order that the same may be approved by the proper and competent Federal Government authority or authorities for the landing and taking off of aircraft operating in scheduled service, and as a terminal point of the Authority for the receipt and dispatch of passengers, property and mail by aircraft.

Section 5.12. Compliance With Terms of Grants-in-aid; Application Thereof. The Authority shall comply with the requirements of the Federal Government of grants-in-aid accepted by the Authority.

Section 5.13. To Employ Competent Personnel; Fidelity Bonds. The Authority shall at all times employ competent supervisory personnel for the operation and management of the properties constituting the Airport System, and shall establish and enforce reasonable rules, regulations and standards governing the employment of operating personnel at reasonable compensation, salaries, fees and charges, and all persons employed by the Authority will be qualified for their respective positions; provided, however, that the provisions of this paragraph shall be subject to any law of the State of Arizona applicable to the appointment or employment of personnel and employees of the Authority or the salary, wages or compensation thereof, and also to the terms and provisions of any agreements between the Authority and the City of Tucson.

The Authority shall cause to be bonded or insured, in such amount as it may deem sufficient, each director, officer or employee of the Authority handling or having custody of or having in his possession Revenues or other monies, including the proceeds of Senior Lien Bonds, held hereunder or required hereby to be deposited or held hereunder, which bond or insurance shall be conditional upon the proper application of Revenues and other monies, including the proceeds of Senior Lien Bonds, held hereunder or required hereby to be deposited or held hereunder, but such application need not necessarily be limited thereto.

Section 5.14. Books and Accounts; Audits. The Authority shall maintain and keep proper books, records and accounts in which complete and correct entries shall be made of all dealings and transactions relating to the Airport System. Such accounts shall show the amount of Revenues available for the purposes of this Resolution, and the application of such Revenues to the purposes specified in this Resolution and all financial transactions in connection therewith.

The Authority shall cause such financial accounts to be audited by an Accountant. Such Accountant shall be selected with special reference to his general knowledge, skill and experience in auditing books and accounts. Such audit shall be made annually and shall be completed within one hundred twenty (120) days after the close of each Fiscal Year. Each such audit shall contain the Accountant's opinion of the Authority's financial accounts and schedules contained in the audit report. A copy of each such annual audit shall be open for public inspection, filed with the Trustee, and shall be mailed to any Holder of Senior Lien Bonds filing with the Authority a request for the same.

Each audit report, in addition to whatever matters may be thought proper by the Accountant to be included therein, shall include the following: (a) a statement in detail of the income and expenditures pertaining to the Airport System for the audit period, including but not limited to a statement of the amounts of Revenues, Operation and Maintenance Expenses and capital expenditures; (b) a balance sheet as of the end of the Fiscal Year, including, without limitation, the amounts on hand, both cash and investments, in each of the funds and accounts created hereunder or in any Supplemental Senior Lien Resolution, and the Senior Lien Bonds Outstanding; (c) a schedule demonstrating compliance with subsections 1 and 2 of Section 5.02 of this Resolution, and (d) the Accountant's comments, if any, regarding the Authority's accounting practices and the manner in which the Authority has carried out the requirement of this Resolution.

The Accountant shall audit the financial accounts prescribed by this Resolution notwithstanding any inconsistency between such accounting procedures and generally

accepted accounting principles; provided that nothing contained in this Section 5.14 shall prevent the Authority from directing the Accountant to audit the books of accounts of the Authority both in accordance with this Resolution and generally accepted accounting principles.

Section 5.15. No Superior Lien Obligations; Equal Lien Bonds; Junior Lien Obligations Permitted. Additional Senior Lien Bonds, Senior Lien Completion Bonds and Senior Lien Refunding Bonds may be issued hereunder upon compliance with the provisions of Sections 2.01, 2.02, 2.03, 2.04 and 2.06 hereof. Except as otherwise provided in the preceding sentence, the Authority will not hereafter create or permit the creation of or issue any bonds, notes, warrants or other obligations or evidences of indebtedness or create any additional indebtedness which will be payable as to principal or interest, or both, from Net Revenues prior to or on a parity with the payment therefrom of the principal of or interest on the Senior Lien Bonds, or prior to or on a parity with the payments and credits from Revenues to be made pursuant to the provisions of Section 4.02 hereof to the Interest Account, Serial Bond Principal Account and Term Bond Principal Account in the Senior Lien Bond Fund, or which will be secured as to principal or interest, or both, by a lien and charge on Net Revenues superior or equal to the lien and charge of the Senior Lien Bonds and the interest thereon, or superior or equal to the lien and charge on Net Revenues or the payments and credits therefrom to be made pursuant to the provisions of Section 4.02 hereof to the Interest Account, Serial Bond Principal Account and Term Bond Principal Account in the Senior Lien Bond Fund.

Nothing in this Resolution, and particularly nothing in the preceding paragraph, shall prevent the Authority from authorizing, issuing or incurring Subordinate Lien Senior Lien Bonds or Junior Subordinate Lien Obligations.

Nothing in this Resolution, and particularly nothing in the first paragraph of this Section 5.15, shall prevent the Authority from issuing bonds, notes, warrants, certificates or other obligations or evidences of indebtedness as provided in the second paragraph of Section 2.05 hereof.

Section 5.16. Not to Encumber or Dispose of Airport System Properties; Condemnation. Except as set forth below, the Authority shall not create or give, or cause to be created or given, or permit to be created or given, any mortgage, lien, pledge, charge or other encumbrance upon any real or personal property constituting the Airport System or upon Revenues and the monies held hereunder, other than the liens, pledges and charges specifically created herein or specifically permitted hereby.

The Authority shall not sell, lease, sublease, or otherwise dispose of all, or substantially all, of the properties constituting the Airport System without simultaneously with such sale, lease, sublease or other disposition depositing pursuant to and in accordance with the provisions of Section 9.01 hereof, cash or Governmental Obligations in an amount sufficient so that no Senior Lien Bonds are any longer deemed Outstanding hereunder as provided by and in accordance with said Section 9.01. Nothing herein shall preclude an exchange of Airport System property for property of comparable value.

The Authority may execute leases, licenses, easements and other agreements of or pertaining to properties constituting the Airport System in connection with the operation of the Airport System and in the normal and customary course of business thereof, according to the Authority's policy regarding rates, rentals, fees and charges of the Airport System, which rates, rentals, fees and charges shall be part of Revenues and which properties shall remain part of the Airport System, but any such leasing shall not be inconsistent with the provisions of this Resolution, and no lease shall be entered into by which the security of and payment for the Senior Lien Bonds might be impaired or diminished. The Authority may enter into Special Facility Agreements pursuant to and in accordance with the provisions of Article VIII hereof.

The Authority may also execute agreements of or pertaining to the acquisition of properties that are or will become a part of the Airport System in connection with the operation of the Airport System and in the normal and customary course of business thereof, and may subject such properties to a lien pending payment therefor; provided that the aggregate of the payments under all such agreements in a Fiscal Year shall not exceed five percent (5%) of the annual budget of the Authority for such Fiscal Year adopted pursuant to Section 5.01 hereof, and all payments under any such agreement shall constitute Operation and Maintenance Expenses to the extent the agreement complies with this paragraph.

The Authority may from time to time sell, lease or otherwise dispose of any portion of the properties and facilities (real or personal) comprising a part of the Airport System which are surplus. Surplus properties or facilities shall be those the disposal of which will not impede or prevent the use of the Airport or its facilities for the conduct of air transportation or air commerce and which the Authority has determined have become unserviceable, unsafe or no longer required or which have been replaced by other property of substantially equal revenue-producing capability and of substantially equal utility for the conduct of air transportation or air commerce. Any monies received by the Authority as the proceeds of any such sale, lease, sublease or other disposition of such surplus properties or facilities shall become Revenues and be deposited in the Revenue Fund; provided, however, that to the extent that the original construction or acquisition of such surplus properties or facilities was financed from monies on deposit in the Airport Improvement Fund, then such proceeds shall be deposited in the Airport Improvement Fund; provided, further, however, that to the extent that the original construction or acquisition of such surplus properties or facilities was financed from monies derived from grants or passenger facility charges, then such proceeds shall be deposited in the Revenue Fund only to the extent that such application of proceeds is consistent with the conditions agreed to by the Authority with any governmental authority, or imposed on the Authority by law or any governmental authority, in obtaining such grants or passenger facility charges.

In the event any Airport System properties shall be taken by the exercise of the power of eminent domain, the amount of the award received by the Authority as a result of such taking shall be deposited in the Airport Improvement Fund and applied to any Airport Purpose consistent with the Lease as then in effect, including to the redemption or purchase of Senior Lien Bonds (such purchases to be made subject to the same conditions that purchases of Senior Lien Bonds may be made pursuant to Section 4.02 hereof from monies credited to the Term Bond Principal Account in the Senior Lien Bond Fund) and to acquire or construct revenue producing properties to constitute a part of the Airport System.

Section 5.17. Insurance. The Authority shall carry insurance with generally recognized responsible insurers with policies payable to the Authority against risks, accidents or casualties at least to the extent that similar insurance is usually carried by airport operators operating properties similar to the Airport System. The Authority shall seek the advice and counsel from time to time of an independent insurance consultant or consultants to advise and assist the Authority with respect to the insurance program of the Airport System, and the Authority shall take into consideration, but will not be bound to follow, the advice of such insurance consultant or consultants in the placement of insurance and the establishment of a self-insurance fund or funds of the Authority as hereinafter provided.

Any insurance carried by the Authority pursuant hereto may be procured and maintained as part of or in conjunction with any other policy or policies carried by it. The Authority may create and establish special funds for self-insurance. In the event the Authority shall establish and maintain any such special funds, the Authority shall establish such reasonable reserves as shall be recommended by an insurance consultant and shall obtain at least annually a certificate of such insurance consultant regarding the adequacy of such reserves.

The proceeds of all insurance, to the extent the same are paid directly to the Authority, shall be held by the Authority under and subject to this Resolution and applied as follows: (i) the proceeds of fire and extended coverage insurance and war damage insurance shall be held separate and apart in the Revenue Fund and applied to the repairing, replacing or reconstruction of the damaged or destroyed property as hereinafter provided; (ii) the proceeds of loss of use insurance shall be deposited in the Revenue Fund for use and application as are all other monies deposited in that Fund; and (iii) the proceeds of liability, workmen's compensation and other insurance shall be held separate and apart in the Revenue Fund and applied toward extinguishing or satisfying or remedying the liability, loss or damage with respect to which such proceeds may be paid, and pending such application or, to the extent of excess, may be used for any lawful purpose.

Immediately after any loss or damage to the Airport System, the Authority shall promptly commence, and proceed to completion, with the repair, replacement or reconstruction of the damaged or destroyed property, and apply to the costs thereof the proceeds of the insurance carried pursuant to subparagraphs (a) and (b) above received with respect to such damage or destruction; provided that, to the extent permitted by the Lease, no such repair, replacement or construction shall be required if the Authority finds that repair, replacement or reconstruction of the damaged or destroyed property is not in the best interest of the Authority and, based on a certificate of an Airport Consultant, that the failure to repair, replace or reconstruct the damaged or destroyed property will not cause the Revenues in any future Fiscal Year of the Authority to be less than an amount sufficient to enable the Authority to comply with all covenants and conditions of this Resolution or impair the security or the payment of the Senior Lien Bonds. If the Authority elects to undertake the repair, replacement or reconstruction of the damaged or destroyed property and such proceeds of the aforesaid insurance are insufficient for such purpose, the amount of such insufficiency may be satisfied from monies available under Section 4.01 hereof for any lawful Airport Purpose of the Authority. If the proceeds of such insurance are more than sufficient for the purpose of repair, replacement or reconstruction of the damaged or destroyed property or the Authority elects not

to undertake such repair, replacement or reconstruction the excess amount of such proceeds or all such proceeds, as the case may be, shall be deposited in the Airport Improvement Fund.

Section 5.18. Payment of Taxes and Claims by the Authority. The Authority shall, from time to time, duly pay and discharge, or cause to be paid or discharged, any taxes, assessments or other governmental charges lawfully imposed upon the Airport or any part thereof or upon Revenues, or any required payments in lieu thereof, as well as all lawful claims for labor, materials and supplies furnished or supplied to the Airport System or any part thereof, when the same shall become due and payable, and keep the Airport System and all parts thereof and the Revenues free from judgments, mechanics' and materialmen's liens, and free from all other liens, claims, demands or encumbrances of whatsoever prior nature or character; provided that the Authority may, in good faith, contest, or permit or cause to be contested, by appropriate proceedings, duly prosecuted, the applicability or validity of any such tax, assessment or governmental charge or payment in lieu thereof, as well as any claim for labor, material or supplies for work completed or materials or supplies furnished and in such event may permit the items so contested to remain unpaid, unsatisfied and undischarged during the period of any such contest and appeal therefrom, even though such contest or proceeding may result in a judgment or lien against the Airport System or any part thereof or the Revenues, if and so long as such contest or proceeding shall stay the execution or enforcement of any such tax, assessment, charge, claim, judgment or lien so that pending the determination of such contest or proceeding the Airport System and all parts thereof and the Revenues is not affected thereby, and if and so long as such contest or proceeding does not impair the security or the payment of the Senior Lien Bonds. If any such execution or enforcement is so stayed and such stay shall thereafter expire, the Authority shall forthwith pay or discharge, or cause to be paid and discharged, any such tax, assessment or governmental charge or payment in lieu thereof or claim for labor, material or supplies or judgment.

Section 5.19. Prosecution and Defense of Suits. The Authority shall promptly from time to time take such action as may be necessary and proper to remedy or cure any defect in or cloud upon the title to the Airport System or any part thereof (except for Permitted Encumbrances as defined in Section 5.04), whether now existing or hereafter developing, shall prosecute and defend all such suits, actions and other proceedings as may be appropriate for such purposes, including the defense of its leasehold interest in the Airport and shall indemnify and save every Senior Lien Bondholder harmless from all loss, cost, damage and expense, including attorneys' fees, which they may incur by reason of any such defect, cloud, suit, action or proceeding.

The Authority shall defend, or cause to be defended, against every suit, action or proceeding at any time brought against any Senior Lien Bondholder by a person other than the Authority upon any claim arising out of the receipt, application or disbursement of any of the Revenues or any other monies received, applied or disbursed under this Resolution, or involving the Airport System or the rights of any Senior Lien Bondholder under this Resolution and shall indemnify and save harmless all Senior Lien Bondholders against any and all liability claimed or asserted by any person whomsoever, arising out of such receipt, application or disbursement of the Airport System; provided, however, that any Senior Lien Bondholder at his election may appear in and defend any suit, action or proceeding. Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect, even though the Senior Lien Bonds are no longer Outstanding hereunder and all indebtedness and obligations

secured hereby may have been fully paid and satisfied and the lien, pledge and charge of this Resolution may have been released and discharged.

Section 5.20. Protection of Security. The Authority shall not take any action in such manner or to such an extent as might prejudice the security or the payment of the Senior Lien Bonds according to the terms thereof. The Authority will maintain, preserve and renew all the rights, powers, privileges and franchises now owned by it or hereafter acquired by it with respect to the Airport System. The Authority shall not take any action by which the rights, payment or security of the Senior Lien Bonds might be impaired or diminished.

Section 5.21. Special Covenant With Respect to Federal Tax Status of Senior Lien Bonds. With respect to any Series of Senior Lien Bonds the interest on which is excludable from gross income for federal tax purposes, so long as any of such Senior Lien Bonds shall be Outstanding, the Authority shall comply with all applicable provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986, as amended, and all applicable regulations of the Internal Revenue Service proposed and promulgated thereunder.

Section 5.22. Obeying Laws; Performance of All Obligations and Covenants Under this Resolution. The Authority shall comply promptly, fully and faithfully with and abide by any statute, law, ordinance, order, rule or regulation, judgment, decree, direction or requirement now in force or hereafter enacted, adopted or entered by any competent governmental authority or agency applicable or with respect to or affecting the acquisition, construction or reconstruction of the Airport System or any part or parcel thereof or applicable or with respect to or affecting the operation, manner or use or condition of the Airport System or any part or parcel thereof or adjoining public ways; provided that the Authority need not comply with any such statute, law, ordinance, rule, regulation, judgment, decree, direction or requirement if and so long as the Authority in good faith shall be contesting or permitting or causing to be contested the applicability or validity thereof by appropriate proceedings diligently prosecuted, even though such contest may result in the imposition of a lien or charge against the Airport System or the Revenues if (1) the Authority shall effectively prevent foreclosure or enforcement of any such lien or charge and (2) the foreclosure or enforcement of any such lien or charge shall be stayed, and if said stay thereafter expires, the Authority shall forthwith discharge such lien or charge or cause the same to be discharged, so that pending such proceedings the Airport System and the Revenues thereof shall not be affected thereby, and the security of the Senior Lien Bonds shall not be impaired.

The Authority shall comply with and perform, or cause to be complied with and performed, all acts, things, covenants, agreements, obligations, duties and provisions, express or implied, required to be done or performed by or on its behalf under this Resolution and Supplemental Senior Lien Resolutions and the Senior Lien Bonds, in accordance with the terms hereof and thereof.

Section 5.23. Taking Any Further Action Required for the Purposes of this Resolution. The Authority shall, at any and all times, adopt, make, do, execute, acknowledge, deliver, register, file and record all such other and further ordinances, resolutions, acts, deeds, demands, conveyances, assignments, transfers, assurances and instruments and give such further notices and do such further acts, as may be reasonably necessary, proper or desirable for the better assuring, pledging and assigning the Net Revenues and other monies pledged, assigned or

charged hereunder or intended so to be, or which the Authority may hereafter become bound to pledge, assign or charge, or for the carrying out more effectively the purposes and intent, and the facilitating of the performance, of this Resolution.

ARTICLE VI

AMENDING AND SUPPLEMENTING THIS RESOLUTION; EXECUTION OF INSTRUMENTS BY SENIOR LIEN BONDHOLDERS AND OWNERSHIP OF SENIOR LIEN BONDS; MEETINGS OF SENIOR LIEN BONDHOLDERS; SENIOR LIEN BONDS NOT OUTSTANDING HEREUNDER

Section 6.01. Amending and Supplementing This Resolution Without Consent of Senior Lien Bondholders. The Authority, from time to time and at any time and without the consent or concurrence of the Holder of any Senior Lien Bond, may adopt a Supplemental Senior Lien Resolution (herein defined and referred to as a “Supplemental Senior Lien Resolution”): (i) for the purpose of providing for the issuance of Senior Lien Bonds pursuant to the provisions of Sections 2.01, 2.02, 2.03, 2.04, 2.05 and 2.06 hereof; (ii) to make any changes or modifications hereof or amendments or additions hereto or deletions herefrom which may be required to permit this Resolution to be qualified under the Trust Indenture Act of 1939 of the United States of America; and (iii) if the provisions of such Supplemental Senior Lien Resolution shall not materially adversely affect the rights of the Holders of the Senior Lien Bonds then Outstanding, for any one or more of the following purposes:

(1) To make any changes or corrections in this Resolution or any Supplemental Senior Lien Resolution as to which it shall have been advised by its counsel that the same are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained herein or in any such Supplemental Senior Lien Resolution, or to insert such provisions clarifying matters or questions arising under this Resolution as are necessary or desirable;

(2) To add additional covenants and agreements of the Authority for the purpose of further securing the payment of the Senior Lien Bonds;

(3) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of this Resolution or any Supplemental Senior Lien Resolution;

(4) To confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge or charge, created or to be created by the provisions of this Resolution or any Supplemental Senior Lien Resolution;

(5) To grant to or confer upon the Holders of the Senior Lien Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them;

(6) To prescribe further limitations and restrictions upon the issuance of the Senior Lien Bonds and the incurring of indebtedness by the Authority payable from the Net Revenues; and

(7) To modify in any other respect any of the provisions of this Resolution, or any Supplemental Senior Lien Resolution previously adopted; provided that such modifications shall have no material adverse effect as to any Senior Lien Bond or Senior Lien Bonds which are then Outstanding.

Except for Supplemental Senior Lien Resolutions providing for the issuance of Senior Lien Bonds pursuant hereto or required to permit this Resolution to be qualified under the Trust Indenture Act of 1939 of the United States of America, the Authority shall not adopt any Supplemental Senior Lien Resolution authorized by the foregoing provisions of this section unless in the opinion of counsel (which opinion may be combined with the opinion required by Section 6.04 hereof) the adoption of such Supplemental Senior Lien Resolution is permitted by the foregoing provisions of this section and, except for a Supplemental Senior Lien Resolution adopted pursuant to subparagraph 7 above, the provisions of such Supplemental Senior Lien Resolution are not contrary to or inconsistent with the covenants or agreements of the Authority contained in this Resolution as originally adopted or as amended with the consent of the Senior Lien Bondholders.

Section 6.02. Amending and Supplementing This Resolution With Consent of Senior Lien Bondholders. With the consent of the Holders of not less than fifty-one percent (51%) of the principal amount of the Senior Lien Bonds then Outstanding, the Authority, from time to time and at any time, may adopt a Supplemental Senior Lien Resolution amending or supplementing the provisions of this Resolution for the purposes of adding any provisions to, or changing in any manner or eliminating any of the provisions of, this Resolution or of any Supplemental Senior Lien Resolution, or modifying in any manner the rights of the Holders of the Senior Lien Bonds then Outstanding; provided, however, that, without the specific consent of the Holder of each such Senior Lien Bond which would be affected thereby, no such Supplemental Senior Lien Resolution amending or supplementing the provisions hereof shall: (1) change the fixed maturity date for the payment of the principal of any Senior Lien Bond or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Senior Lien Bond or the rate of interest thereon or any premium payable upon the redemption thereof; or (2) reduce the aforesaid percentage of Senior Lien Bonds, the Holders of which are required to consent to any such Supplemental Senior Lien Resolution amending or supplementing the provisions hereof; or (3) give to any Senior Lien Bond or Senior Lien Bonds preference over any other Senior Lien Bond or Senior Lien Bonds secured hereby; or (4) authorize the creation of any pledge of the Net Revenues or any lien thereon prior, superior or equal to the pledge and lien created herein for the payment and security of the Senior Lien Bonds; or (5) deprive any Holder of the Senior Lien Bonds of the security afforded by this Resolution. A modification or amendment of the provisions of Section 4.02 hereof with respect to the funds and accounts established thereby shall not be deemed a change in the terms of payment of the Senior Lien Bonds; provided, however, that no such modification or amendment shall, except upon the consent of the Holders of all Senior Lien Bonds then Outstanding affected thereby, reduce the amount or amounts required to be deposited from the Net Revenues to the Senior Lien Bond Fund or the priority of the deposits of such amounts. (Nothing herein contained, however, shall be construed as making necessary the approval of the Holders of the Senior Lien Bonds of the adoption of any Supplemental Senior Lien Resolution authorized by Section 7.01).

The proof of the giving of any consent required by this Section and of the holding of Senior Lien Bonds for the purpose of giving consents shall be made in accordance with the provisions of Section 6.05 hereof, and it shall not be necessary that the consents of the Holders of the Senior Lien Bonds approve the particular form or wording of the proposed amendment or supplement or of the Supplemental Senior Lien Resolution effecting such amendment or supplement, but it shall be sufficient if such consent approve the substance of the proposed amendment or supplement. After the Holders of the required percentage of Senior Lien Bonds shall have filed their consents to the amending or supplementing hereof pursuant to this Section, the Authority shall mail a copy of a notice of such amending or supplementing hereof, postage prepaid to each Holder of Senior Lien Bonds then Outstanding, at his address, if any, appearing upon the registry books, but failure to mail copies of said notice to any of said Holders shall not affect the validity of the Supplemental Senior Lien Resolution effecting such amendments or supplements or the consents thereto. (Nothing herein contained, however, shall be construed as requiring the giving of notice of any amending or supplementing of this Resolution authorized by the first paragraph of this section.) A record, consisting of the papers required by this paragraph, shall be proof of the matters therein stated until the contrary is proved. No action or proceeding to set aside or invalidate such Supplemental Senior Lien Resolution or any of the proceedings for its adoption shall be instituted or maintained unless such action or proceeding is commenced within sixty (60) days after the mailing of the notice required by this paragraph.

Notwithstanding the preceding provisions of this section, Holders of Senior Lien Bonds which are insured as to principal and interest shall, unless the provider of such insurance is in default with respect to its obligations with respect to such insurance, be deemed to have delegated their respective right to consent to amendments to the provider of such insurance, and the consent of such provider to amendments or supplements to this Resolution shall be in lieu of and substitution for the consent of Holders of Senior Lien Bonds provided herein.

Section 6.03. Notation upon Senior Lien Bonds; Senior Lien Bonds Delivered upon Amendments. Senior Lien Bond delivered after the effective date of any action taken as provided in this Article may bear a notation as to such action, by endorsement or otherwise and in form approved by the Authority. In that case, upon demand of the Holder of any Senior Lien Bond Outstanding at such effective date and the presentation of his Senior Lien Bond for the purpose at the office of a Paying Agent, transfer agent or registrar hereunder for such Senior Lien Bond and at such additional offices, if any, as the Authority may select and designate for that purpose, a suitable notation shall be made on such Senior Lien Bond. If the Authority shall so determine, new Senior Lien Bonds so modified as in the opinion of the Authority to conform to the amendments or supplements so consented to by the Holders of the Senior Lien Bonds shall be prepared, executed and delivered, and upon demand of the Holder of any Senior Lien Bond then Outstanding shall be exchanged without cost to such Holder, for Senior Lien Bonds then Outstanding, upon surrender of such Outstanding Senior Lien Bonds.

Section 6.04. Effectiveness of Supplemental Senior Lien Resolution. Upon the adoption pursuant to this Article and of applicable law of any Supplemental Senior Lien Resolution amending or supplementing the provisions of this Resolution and the rendering by counsel to the Authority of an opinion that such Supplemental Senior Lien Resolution is in due form, has been duly adopted in accordance with the provisions hereof and applicable law and the provisions

thereof are valid and binding upon the Authority, or upon such later date after delivery of such Supplemental Senior Lien Resolution and rendering of opinion as may be specified in such Supplemental Senior Lien Resolution, this Resolution and the Senior Lien Bonds shall be modified and amended in accordance with such Supplemental Senior Lien Resolution, and the respective rights, limitations of rights, obligations, duties and immunities under this Resolution of the Authority and of the Holders of the Senior Lien Bonds shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modifications and amendments, and all of the terms and conditions of any such Supplemental Senior Lien Resolution shall be a part of the terms and conditions of the Senior Lien Bonds and of this Resolution for any and all purposes.

Section 6.05. Consent, etc., of Senior Lien Bondholders; Proof of Ownership of Senior Lien Bonds. Except for any consent, request, direction or approval related to this Resolution obtained from the Holders of a Series of Senior Lien Bonds in connection with the issuance and delivery of such Series, any consent, request, direction, approval, objection or other instrument required by this Resolution to be signed or executed by the Holders of Senior Lien Bonds may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Holders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and, subject to the provisions of Section 2.10 hereof, of the ownership of Senior Lien Bonds, if made in the manner hereinafter in this section set forth shall be sufficient for any of the purposes of this Resolution and shall be conclusive in favor of the Authority with regard to any action taken under such request or other instrument. The fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction, that the person signing such writing acknowledged before him the execution thereof, or by affidavit of any witness to such execution. The fact of ownership by any person of Senior Lien Bonds shall be proved by the registration books maintained pursuant hereto, and for all purposes of this Resolution and of the proceedings for the enforcement hereof and of such Senior Lien Bonds, such persons shall be deemed to continue to be the Holder of such Senior Lien Bonds until the Authority shall have received notice in writing to the contrary.

Any consent, request, direction, approval, objection or other instrument required by this Resolution to be signed or executed by the Holders of Senior Lien Bonds may be made by the provider of insurance, if any, as to principal and interest thereon in lieu of and substitution for the consent, request, direction, approval, objection or other instrument of such Holder, unless the provider of such insurance is in default with respect to its obligations with respect to such insurance. The form of such consent and the proof of the execution thereof shall be such as is acceptable to the Authority.

Nothing contained in this section shall be construed as limiting the Authority, in its discretion, to the proof above specified, it being intended that the Authority in its discretion may accept any other evidence of the matters herein stated which to it may seem sufficient. Any consent, request, direction, approval or vote of the Holder of any Senior Lien Bond shall bind and be conclusive upon the Holder of such Senior Lien Bond giving such consent, request, direction or approval or casting such vote and upon every future Holder of the same Senior Lien Bond in respect of anything done or suffered to be done by the Authority or otherwise or

by the Holders of other Senior Lien Bonds, in pursuance of such consent, request, direction, approval or vote, and whether or not such future Holder has knowledge of or information as to such consent, request, direction, approval or vote; provided that any consent, request, direction, approval or vote of the Holder of a Senior Lien Bond required by any of the provisions hereof may be revoked by the Holder giving such consent, request, direction, approval or vote or by a subsequent Holder if such revocation in writing is filed with the Authority prior to the time when the consent, request, direction, approval or vote of the percentage of the Holders of the Senior Lien Bonds required by such provision shall have been given and action taken by the Authority or otherwise, or by the Holders of other Senior Lien Bonds.

Section 6.06. Meetings of Senior Lien Bondholders. The Authority or the Holders of not less than twenty percent (20%) in principal amount of the Senior Lien Bonds then Outstanding may at any time call a meeting of the Holders of the Senior Lien Bonds for any one or more of the following purposes: (1) to consent to, approve, request or direct any action required to be consented to or approved by the Holders of the Senior Lien Bonds hereunder (including, without limitation, to consent to amendments or supplements hereto or to waive any default or Event of Default or its consequences) or which they may request or direct hereunder to be taken; (2) to give any notices to the Authority; (3) to take any other action that Holders of the Senior Lien Bonds may take hereunder; and (4) for any other purposes concerning the payment, security or enforcement of the Senior Lien Bonds.

Every such meeting of the Holders of the Senior Lien Bonds shall be held at such place, in the City of New York, State of New York, or in the City of Chicago, State of Illinois, or in the City of Tucson, State of Arizona, as may be specified in the notice of such meeting, stating the place and time of the meeting and in general terms the business to be submitted shall be mailed by the Authority or the Holders of the Senior Lien Bonds calling such meeting, at least thirty (30) days preceding the meeting to the Holders of a Series of Senior Lien Bonds at their addresses as they appear on the books of registry.

Attendance and voting by Holders of Senior Lien Bonds at meetings thereof may be in person or by proxy. Senior Lien Bondholders may, by an instrument in writing under their hands, appoint any person or persons, with full power of substitution, as their proxy to attend and vote at any meeting for them. The right of a proxy for Holder of a Senior Lien Bond to attend a meeting and act and vote thereat may be proved (subject to the right of the Authority to require additional proof) by the written instrument executed by such Holder.

Any Holder of a Senior Lien Bond shall be entitled in person or by proxy to attend and vote at such meeting as Holder of the Senior Lien Bond or Senior Lien Bonds registered in his name without producing such Senior Lien Bond or Senior Lien Bonds (unless the Senior Lien Bond or Senior Lien Bonds shall be registered in the name of some other person at such meeting). Such person and their proxies shall, if required, produce such proof of personal identity as shall be satisfactory to the Secretary of the meeting.

Persons named by the Authority, or elected by the Holders of a majority in principal amount of the Senior Lien Bond represented at the meeting in person or by proxy in the event the Authority is not represented at such meeting, shall act as temporary Chairman and temporary Secretary of any meeting of Holders of Senior Lien Bonds. A permanent Chairman

and a permanent Secretary of such meeting shall be elected by the Holders of a majority in principal amount of the Senior Lien Bonds represented at such meeting in person or by proxy. The permanent Chairman of the meeting shall appoint two Inspectors of Votes. All instruments appointing proxies presented at such meeting shall be delivered to the Inspectors of Votes and filed with the Secretary of the meeting. The Inspectors of Votes shall count all votes cast at such meeting except votes on the election of Chairman and Secretary as aforesaid, and shall make and file with the Secretary of the meeting and the Authority their verified report of all such votes cast at the meeting.

Officers or nominees of the Authority may be present or represented at any meeting of the Holders of the Senior Lien Bond and take part therein, but shall not be entitled to vote thereat, except for such officers or nominees who are Holders of Senior Lien Bonds or proxies for Holders of Senior Lien Bonds.

The Holders of the same principal amount of the Senior Lien Bonds required by other provisions hereof to consent to, approve, request or direct any action proposed to be taken at a meeting of Holders of the Senior Lien Bonds, or required by other provisions hereof to take any other action proposed to be taken at such meeting, must be present at such meeting in person or by proxy in order to constitute a quorum for the transaction of such business, less than a quorum, however, having power to adjourn the meeting from time to time without other notice of such adjournment than the announcement thereof at the meeting; provided, however, that if such meeting is adjourned by less than a quorum for more than ten (10) days, notice of such adjournment shall be mailed to all Senior Lien Bondholders by the Authority or the Holders of the Senior Lien Bonds calling the meeting at least five (5) days prior to the adjourned date of the meeting.

The votes of the Holders of the same principal amount of the Senior Lien Bonds required by other provisions hereof to consent to, approve, request or direct any action hereunder shall be required to consent to, approve, request or direct any such action taken at a meeting of the Holders of the Senior Lien Bonds. The vote at any such meeting of the Holder of any Senior Lien Bond, or his proxy, entitled to vote thereat, shall be binding upon such Holder and upon every subsequent Holder of such Senior Lien Bond (whether or not such subsequent Holder has notice thereof) if the voters of the required percentage of the Holders of the Senior Lien Bonds have been cast and action taken by the Authority or by the Holders of other Senior Lien Bonds under authority of such votes.

Section 6.07. Certain Senior Lien Bonds Deemed Not Outstanding Hereunder. In determining whether the Holders of the requisite aggregate principal amount of Senior Lien Bonds have consented to the amending or supplementing of this Resolution as provided in Section 6.05 hereof or have concurred in any waiver of an Event of Default as defined in Section 7.01 hereof, or have concurred in any other direction or consent regarding this Resolution, Senior Lien Bonds which are owned or controlled directly or indirectly by the Authority or by the City of Tucson, Arizona, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except for the purpose of determining whether the Authority shall be protected in relying on any such waiver, direction or consent, only Senior Lien Bonds which the Authority knows are so owned shall be so disregarded.

ARTICLE VII

DEFAULTS AND REMEDIES

Section 7.01. Events of Default. Each of the following is hereby defined as and declared to be and shall constitute an “Event of Default”:

(a) If payment of any installment of interest on any Senior Lien Bond shall not be made when the same shall become due and payable; or

(b) If payment of the principal and premium (if any) of any Senior Lien Bond, whether at maturity or by proceedings for redemption (whether by voluntary redemption or redemption from the Term Bond Principal Account in the Senior Lien Bond Fund), shall not be made when the same shall become due and payable; or

(c) If the credits to the Term Bond Principal Account in the Senior Lien Bond Fund shall not be made or satisfied in any twelve-months’ period in the amount required for such period by a Supplemental Senior Lien Resolution and such failure shall have continued for sixty (60) days after the expiration of such period; or

(d) If a default shall occur in the performance or observance by the Authority of the covenants, agreements and conditions contained in Section 5.02 (except as provided in subsection 3 of said Section); or

(e) If the Authority shall fail in the due and punctual performance or any other of the covenants, conditions, agreements and provisions contained in the Senior Lien Bonds or in this Resolution (other than as described in (a) through (d) above) or in any Supplemental Senior Lien Resolution on the part of the Authority to be performed, and such failure shall continue for ninety (90) days after written notice specifying such failure and requiring the same to be remedied shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Holders of not less than twenty percent (20%) in principal amount of the Senior Lien Bonds then Outstanding or any committee therefor; provided that if any such failure shall be such that it cannot be cured or corrected within such ninety day period, it shall not constitute an Event of Default hereunder if curative or corrective action is instituted within said period and diligently pursued until the failure of performance is cured or corrected; or

(f) If any proceedings shall be instituted with the consent or acquiescence of the Authority for the purpose of effecting a composition between the Authority and its creditors and if the claim of such creditors is in any circumstance payable from any of the Revenues or any other monies pledged and charged herein or in any Supplemental Senior Lien Resolution or for the purpose of adjusting the claims of such creditors, pursuant to any Federal or State statute now or hereafter enacted; or

(g) If an order or decree shall be entered (i) with the consent or acquiescence of the Authority, appointing a receiver or receivers of the Airport System or any of the buildings and facilities thereof, or (ii) without the consent or acquiescence of the Authority appointing a receiver or receivers of the Airport System or any of the

buildings and facilities thereof and such order or decree, having been entered, shall not be vacated or discharged or stayed on appeal within sixty (60) days after the entry thereof; or

(h) If, under the provisions of any applicable bankruptcy laws or any other law for the relief or aid of debtors, (i) any court of competent jurisdiction shall assume custody or control of the Airport System or any of the buildings and facilities thereof, and such custody or control shall not be terminated within ninety (90) days from the date of assumption of such custody or control; or (ii) any court of competent jurisdiction shall approve of any petition for the reorganization of the Airport System or rearrangement or readjustment of the obligations of the Authority hereunder; or

(i) If the Authority shall for any reason be rendered incapable of fulfilling its obligations hereunder.

The Trustee shall give written notice by mail to all the Holders of Senior Lien Bonds as their names and addresses appear upon the books of registry of all Events of Default known to the Trustee, within thirty (30) days after the occurrence thereof, unless the Event of Default shall have been cured before the giving of such notice.

Section 7.02. Action of Trustee in Event of Default. Upon the occurrence of an Event of Default of which the Trustee has actual knowledge and at all times thereafter while such default shall continue, the Trustee shall become vested with all the estate, properties, rights, trusts, duties and obligations of the Trustee hereunder and shall enter into and take possession of, or supervision over, the funds and accounts continued or created under this Resolution, including any Construction Fund created under any Supplemental Senior Lien Resolution, and collect and receive and apply all Net Revenues and other monies held hereunder in the same manner as the Authority itself might do, and shall act in place of the Authority in the exercise of all rights and duties of the Authority hereunder.

The Trustee in case of an Event of Default may, and upon the written request of the Holders of not less than twenty-five percent (25%) in principal amount of the Senior Lien Bonds then Outstanding, and upon being indemnified to its satisfaction, shall, exercise any or all of the following remedies to the extent that the same shall then be legally available:

(a) The Trustee may proceed to protect and enforce its rights and the rights of the Holders of the Senior Lien Bonds by a suit or suits in equity, in bankruptcy or at law, either in mandamus or for the specific performance of any covenant or agreement contained herein or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee, being advised by counsel, may deem most effectual to protect and enforce any of the rights or interests under the Senior Lien Bonds and/or this Resolution. The Trustee, in its own name and as trustee of an express trust, shall be entitled and empowered (i) to institute any action or proceedings at law or in equity for the collection of all fees and charges, rents or sums, as the case may be, due and unpaid under any lease or other agreement to which the Authority is a party, and may prosecute any such action or proceedings to judgment or final decree, and may enforce any such judgment or final

decree against the other party to such lease or other agreement and collect in the manner provided by law out of the property of such party wherever situated the monies adjudged or decreed to be payable, and (ii) to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Trustee and of the Holders of the Senior Lien Bonds allowed in any equity, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization or other similar proceedings relative to the Authority or any party to a lease or agreement with the Authority. All rights of action under this Resolution or under any of the Senior Lien Bonds may be enforced by the Trustee without the possession of any of the Senior Lien Bonds or the production thereof on any trial or other proceeding relative thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, and any recovery of judgment shall be for the ratable benefit of the Holders of the Senior Lien Bonds;

(b) The Trustee may proceed by appropriate proceedings in any court of competent jurisdiction in the Event of Default in the payment of principal of or interest on any Senior Lien Bonds, to obtain the appointment of a receiver for the Airport System, which receiver may enter upon and take possession of the Airport System and fix rates and charges and collect all Revenues arising therefrom in as full a manner and to the same extent as the Authority itself might do. The receiver shall collect and dispose of Revenues in accordance with the terms and conditions of this Resolution or as the court shall direct.

The Trustee is hereby appointed, and the Holders of the Senior Lien Bonds from time to time shall be conclusively deemed to have so appointed the Trustee, the true and lawful attorney in fact of the respective Holders of the Senior Lien Bonds, with authority to make or file, in the respective names of the Holders of the Senior Lien Bonds, with or on behalf of all Holders of the Senior Lien Bonds, as a class, any proof of debt, amendment to proof of debt, petition or other documents; to receive payment of all sums becoming distributable on account thereof; and to execute any other papers and documents and to do and perform any and all acts and things for and on behalf of all Holders of the Senior Lien Bonds as a class, as may be necessary or advisable in the opinion of the Trustee, in order to have the respective claims of the Holders of the Senior Lien Bonds against the Authority allowed in any equity receivership, insolvency, liquidation, bankruptcy or other proceedings to which the Authority shall be a party. The Trustee shall have full power of substitution and delegation in respect of any such powers.

Section 7.03. Effect of Delay or Omission; Waiver of Default. No delay or omission of the Trustee or of any Holder of any of the Senior Lien Bonds to exercise any right or power arising from any default on the part of the Authority shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Trustee or Senior Lien Bondholders of any such default, whether such waiver be full or partial, shall extend to or be taken to effect any subsequent default, or to impair the rights resulting therefrom, except as may be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given hereunder or otherwise existing.

Section 7.04. Suits or Actions by Senior Lien Bondholders. No Senior Lien Bondholder shall have any right to institute or prosecute any suit or proceeding at law or in equity for the appointment of a receiver of the Authority, for the enforcement of any of the provisions hereof or of any remedies hereunder unless the Trustee, after a request in writing by the Holders of twenty-five percent (25%) in aggregate principal amount of the Outstanding Senior Lien Bonds, and after the Trustee shall have been assured such reasonable indemnity as it may require, shall have neglected for sixty (60) days to take such action; provided, however, that the right of any Holder of any Senior Lien Bond to receive payment of principal or interest, or both, on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the consent of such Holder.

Section 7.05. Senior Lien Bondholders' Committee. If an Event of Default shall have occurred and be continuing, and the Trustee shall have failed or refused to comply with the written request or direction of the Holders of the Senior Lien Bonds in accordance with Section 7.05 hereof, the Holders of not less than twenty percent (20%) in principal amount of the Senior Lien Bonds then Outstanding may call a meeting of the Holders of Senior Lien Bonds for the purpose of electing a Senior Lien Bondholders' Committee. Such meeting shall be called and proceedings thereat shall be conducted as provided for other meetings of Senior Lien Bondholders pursuant to Section 6.06 hereof. At such meeting the Holders of not less than a majority in principal amount of the Senior Lien Bonds Outstanding must be present in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any other notice than the announcement thereof at the meeting. A quorum being present at such meeting the Senior Lien Bondholders present in person or by proxy may, by a majority of the votes cast, elect one or more persons, who may or may not be Senior Lien Bondholders, to the Senior Lien Bondholders' Committee which shall act as trustee for all Senior Lien Bondholders. The Senior Lien Bondholders present in person or by proxy at said meeting, or at any adjourned meeting thereof, (i) shall prescribe the manner in which the successors of the persons elected to the Senior Lien Bondholders' Committee at such Senior Lien Bondholders' meeting shall be elected or appointed; (ii) may prescribe rules and regulations governing the exercise by the Senior Lien Bondholders' Committee of the power conferred upon it herein; and (iii) may provide for the termination of the existence of the Senior Lien Bondholders' Committee. The Senior Lien Bondholders' Committee elected by the Senior Lien Bondholders in the manner herein provided, and their successors, as a committee, are hereby declared to be trustees for the Holders of all the Senior Lien Bonds then Outstanding, and are empowered to exercise in the name of the Senior Lien Bondholders' Committee, as trustee, all the rights and powers conferred on the Trustee or any Senior Lien Bondholder.

ARTICLE VIII

SPECIAL OBLIGATION BONDS

Section 8.01. Special Obligation Bonds and Special Facility Agreements. Anything in this Resolution to the contrary notwithstanding, the Authority may issue bonds, notes or other evidences of indebtedness ("Special Obligation Bonds") for the purpose of acquiring, constructing, renovating, remodeling or rehabilitating a Special Facility for use, lease or sublease thereof pursuant to the provisions of this section or for refunding other Special Obligation Bonds. Such Special Obligation Bonds (i) shall be payable solely from amounts payable by the user, lessee or

sublessee under the Special Facility Agreement entered into with respect to the Special Facility to be financed from such Special Obligation Bonds; (ii) shall not be a charge or claim against or payable from or secured by the Revenues or any other monies held hereunder; (iii) will not result in a reduction of Net Revenues; and (iv) shall mature within the term of the Special Facility Agreement entered into with respect to such Special Facility.

A Special Facility lease, loan or other agreement ("Special Facility Agreement") shall be entered into between the Authority and the user or occupier of such Special Facility pursuant to which the user, lessee or sublessee shall agree to pay or otherwise provide for payment of (i) installment amounts which will be sufficient to pay during such term as the same respectively becomes due the principal of and interest on all Special Obligation Bonds to be issued pursuant to this section to pay the cost of construction or acquisition of the Special Facility; (ii) amounts necessary or required to provide or maintain all reserves required for such Special Obligation Bonds and to pay all trustees', fiscal agents' and paying agents' fees and expenses in connection therewith; (iii) installment amounts equal to a properly allocable share of the administrative costs of the Authority arising out of such Special Facility Agreement and the issuance and servicing of such Special Obligation Bonds or, if the land on which the Special Facility is to be constructed constitutes a part of the Airport System, a ground rental for the ground upon which such Special Facility is or is to be located payable in periodic installments in amounts not less than shall be required pursuant to the Authority's policy for rental of ground space in the Airport System as fixed from time to time by the Authority; any amount payable pursuant to this clause (iii) shall be free and clear of all charges under said Special Facility Agreement; shall be in addition to the amounts required by clauses (i), (ii) and (iv) ; and shall constitute Revenues and be paid into the Revenue Fund; and (iv) all costs connected with the ownership, operation, maintenance, repair, renewals and rehabilitation of the Special Facility (including, without limitation, insurance, utilities, taxes or payments in lieu of taxes and assessments).

Special Obligation Bonds issued pursuant to the provisions of this section may also be refunded by Additional Senior Lien Bonds if (i) all such Special Obligation Bonds then Outstanding and unpaid pertaining to the particular Special Facility are refunded at one time from such Additional Senior Lien Bonds or are then otherwise retired; and (ii) the conditions contained in Section 2.02 of this Resolution are complied with upon such refunding, and, for the purposes of any such refunding, such refunding shall be considered as though the Authority were acquiring such Special Facility by the issuance of such Additional Senior Lien Bonds.

If a Special Facility is located on land included in the Airport System, upon the retirement of the indebtedness evidenced by the Special Obligation Bonds issued therefor or evidenced by refunding Special Obligation Bonds, all rentals and other income thereafter received by the Authority from the Special Facility for which Special Obligation Bonds were issued shall, to the extent permitted by law, constitute Revenues and be paid into the Revenue Fund, to be used and applied as are other monies deposited therein, and if such rentals and other income shall then constitute Revenues, such Special Facility shall, unless contrary to law, then constitute part of the Airport System for all purposes of this Resolution; provided, however, that if any such Special Obligation Bonds are retired through the refunding thereof from the proceeds of Additional Senior Lien Bonds, such Special Facility in all events shall thereafter constitute part of the Airport System for all purposes hereof.

ARTICLE IX

DEFEASANCE; MONIES HELD FOR PAYMENT OF DEFEASED SENIOR LIEN BONDS

Section 9.01. Discharge of Liens and Pledges; Senior Lien Bonds No Longer Outstanding Hereunder. The obligations of the Authority under this Resolution, including all Supplemental Senior Lien Resolutions, and the liens, pledges, charges, trusts, assignments, covenants and agreements of the Authority herein or therein made or provided for, shall be fully discharged and satisfied as to any Senior Lien Bond and such Senior Lien Bond shall no longer be deemed to be Outstanding hereunder and thereunder,

(i) when such Senior Lien Bond shall have been cancelled, or shall have been purchased by the Authority from monies in the Senior Lien Bond Fund, or

(ii) as to any Senior Lien Bond not cancelled or so purchased, when payment of the principal of and the applicable redemption premium, if any, on such Senior Lien Bond, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment, or other-wise), either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided by irrevocably depositing with a Paying Agent for such Senior Lien Bond, in trust and irrevocably appropriated and set aside exclusively for such payment, (1) monies sufficient to make such payment, (2) Governmental Obligations (as defined hereinafter in this section), or (3) any combination thereof maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient monies to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agents pertaining to the Senior Lien Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of said Paying Agents.

At such time as a Senior Lien Bond shall be deemed to be no longer Outstanding hereunder, as aforesaid, such Senior Lien Bond shall cease to draw interest from the due date thereof (whether such due date be by reason of maturity, or upon redemption or prepayment or by declaration as aforesaid, or otherwise) and, except for the purposes of any such payment from such monies or Governmental Obligations, shall no longer be secured by or entitled to the benefits of this Resolution, including all Supplemental Senior Lien Resolutions.

Notwithstanding the foregoing, in the case of the Senior Lien Bonds which by their terms may be redeemed or otherwise prepaid prior to their stated maturities from the monies or securities deposited in accordance with this section, no deposit under clause (b) of subparagraph (ii) above shall constitute such payment, discharge and satisfaction as aforesaid, until proper notice of such redemption or prepayment shall have been previously given in accordance with Section 2.09 hereof or satisfactory provision shall have been irrevocably made for the giving of such notice.

Any such monies so deposited with a Paying Agent as provided in this section may at the direction of the Authority also be invested and reinvested in Governmental Obligations,

maturing in the amounts and at the times as hereinbefore set forth, and all income from all Governmental Obligations in the hands of the Paying Agents pursuant to this section which is not required for the payment of the Senior Lien Bonds and interest and premium thereon with respect to which such monies shall have been so deposited, shall be paid to the Authority and deposited in the Revenue Fund as and when realized and collected for use and application as are other monies deposited in that Fund.

Notwithstanding the foregoing, the payment of (i) the purchase price of or accrued interest on any Variable Rate Senior Lien Bonds tendered for purchase pursuant to the terms of a Supplemental Senior Lien Resolution or the Remarketing Agreement, or similar agreement, or (ii) principal of, redemption premium or price, if any, or interest on any Variable Rate Senior Lien Bonds upon redemption, acceleration or when due and payable with a draw, borrowing or payment under a Support Facility shall not be deemed payment pursuant to Section 9.01 hereof; provided, however, that with respect to (ii) above, a reimbursement or other payment by the Authority with respect to a draw, borrowing or payment under a Support Facility for the payment of principal of, premium, if any, or interest on Variable Rate Senior Lien Bonds upon redemption, acceleration or when due and payable may be deemed to be payment for the purposes of Section 9.01.

Notwithstanding any provision of any other section of this Resolution which may be contrary to the provisions of this section, all monies or Governmental Obligations set aside and held in trust pursuant to the provisions of this section for the payment of Senior Lien Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Senior Lien Bond (including interest and premium thereon, if any) with respect to which such monies and Governmental Obligations have been so set aside in trust.

Anything in Article VI hereof to the contrary notwithstanding, if monies or Governmental Obligations have been deposited or set aside with a Paying Agent pursuant to this section for the payment of Senior Lien Bonds and such Senior Lien Bonds shall be deemed to have been paid and be no longer Outstanding hereunder as provided in this section, but such Senior Lien Bonds shall not have in fact been actually paid in full, no amendment to the provisions of this section shall be made without the consent of the Holder of each Senior Lien Bond affected thereby.

Section 9.02. Senior Lien Bonds Not Presented for Payment When Due; Monies Held for the Senior Lien Bonds after Due Date of Senior Lien Bonds. If any Senior Lien Bond shall not be presented for payment when the principal thereof shall become due, whether at maturity or at the date fixed for the redemption thereof or upon declaration as provided in this Resolution, or otherwise, and if monies or Governmental Obligations shall at such due date be held by a Paying Agent therefor, in trust for that purpose and sufficient and available to pay the principal and the premium, if any, of such Senior Lien Bond, together with all interest due thereon to the due date thereof or to the date fixed for redemption thereof, all liability of the Authority for such payment shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of such Paying Agent to hold said monies or Governmental Obligations, without liability to such Senior Lien Bondholder for interest thereon, in trust for the benefit of the Holder of such Senior Lien Bond, who thereafter shall be restricted exclusively to said monies or Governmental

Obligations for any claim of whatever nature on his part on or with respect to said Senior Lien Bond, including for any claim for the payment thereof. Any such monies or Government Obligations held by a Paying Agent for the Senior Lien Bondholders of such Senior Lien Bonds for three (3) years after the principal of the respective Senior Lien Bonds with respect to which such monies or Government Obligations have been so set aside has become due and payable and remains unpaid (whether at maturity or upon redemption or prepayment or otherwise) shall be paid to the Authority and unless demand for the payment of such Senior Lien Bonds shall have been made, the obligation thereon shall be extinguished and such Senior Lien Bonds shall be deemed no longer Outstanding; provided, however, that before the repayment of such monies to the Authority as aforesaid, the Paying Agent may (at the cost of the Authority) first mail to the Senior Lien Bondholders of any Senior Lien Bonds remaining unpaid at the addresses shown on the books of registry maintained by the Registrar a notice, in such form as may be deemed appropriate by the Paying Agent, with respect to the Senior Lien Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the monies held for the repayment thereof.

ARTICLE X

FORMS OF SENIOR LIEN BONDS, ENDORSEMENT AND ASSIGNMENT PROVISIONS, CERTIFICATE OF AUTHENTICATION

Section 10.01. Forms of Senior Lien Bonds, Endorsement and Assignment Provisions Certificate of Authentication. The form or forms of Senior Lien Bond for a particular Series of Senior Lien Bonds, the form or forms of the certificate of authentication thereof, the form or forms of endorsement to appear thereon and the form or forms of assignment thereof shall be in the forms set forth in the Supplemental Senior Lien Resolution providing for the issuance of such Series of Senior Lien Bonds.

ARTICLE XI

CONCERNING THE TRUSTEE AND THE PAYING AGENTS

Section 11.01. Appointment of Trustee; Removal Thereof; Qualifications of Successor Thereto. The Trustee is hereby appointed to serve as the initial Trustee hereunder.

Such Trustee shall execute, acknowledge and deliver to the Authority an instrument in writing accepting such appointment and the estate, properties, rights, powers, trusts, duties and obligations of the Trustee hereunder; provided, however, that prior to the occurrence of an Event of Default hereunder the Trustee shall have no duties and obligations as trustee hereunder other than to act as Paying Agent or as Registrar if so appointed hereunder or in a Supplemental Senior Lien Resolution and upon the occurrence of an Event of Default hereunder of which it has actual knowledge all such estate, properties, rights, powers, trusts, duties and obligations granted to the Trustee hereunder shall vest in the Trustee unless and until all such Events of Default shall have been cured in accordance with Article VII hereof. Any successor Trustee shall become fully vested with all the rights, powers, trusts, duties and obligations of the Trustee without any further act, deed, or conveyance, other than succeeding to office, but any such successor shall nevertheless execute, acknowledge and deliver to the Authority, an

instrument in writing accepting the estate, properties, rights, powers, trusts, duties and obligations of the Trustee hereunder.

The Trustee may be removed as trustee hereunder at the request of and upon the affirmative vote of the Holders of a majority of the principal amount of Senior Lien Bonds outstanding. In the event of the removal or refusal to act of the Trustee, a successor may be appointed by the Holders of a majority of the principal amount of Senior Lien Bonds outstanding, excluding any Senior Lien Bonds held by or for the account of the Authority, and such successor shall have all the powers and obligations of the Trustee as trustee hereunder theretofore vested in the Trustee; provided, that unless a successor Trustee shall have been appointed by the Holders of Senior Lien Bonds as aforesaid, the Authority by a duly executed written instrument, shall forthwith appoint a trustee to fill such vacancy until a successor Trustee shall be appointed by the Holders of Senior Lien Bonds as authorized in this Section 11.01. Any successor Trustee appointed by the Authority shall, immediately and without further action, be superseded by a trustee appointed by the Holders of Senior Lien Bonds. Any successor Trustee shall be a corporation organized and doing business under the laws of the United States or of any State of the United States whose principal office is located in Arizona or New York which (a) is authorized under such laws to exercise corporate trust power, (b) is subject to supervision or examination by Federal or state authority, and (c) shall have at all times a combined capital and surplus of not less than one hundred million dollars.

If such Trustee publishes reports of condition at least annually, pursuant to law or to the requirements of a supervising or examining authority of the United States of America, or any state, then for the purposes of determining its qualifications hereunder, the capital stock, surplus and undivided profits of the trustee at any time shall be deemed to be its capital stock, surplus and undivided profits as set forth in its most recent report of condition so published.

The Trustee or any successor may resign as trustee hereunder at any time by giving not less than sixty (60) days' notice to the Authority and by mailing a notice of resignation within ten (10) days after the giving of such notice to the Authority to the Holders of the Senior Lien Bonds, and thereupon the Authority, in the manner prescribed above, shall, unless an Event of Default shall have occurred and be continuing, appoint a successor Trustee.

If within fifty (50) days after the mailing of notice of such Trustee's resignation as trustee hereunder no successor Trustee shall have been appointed and shall have accepted such appointment, such trustee may petition any court of competent jurisdiction for the appointment of a successor trustee, or any Holder of a Senior Lien Bond who has been a bona fide Holder of a Senior Lien Bond for at least six (6) months may, on behalf of himself or itself and others similarly situated, petition any such court for the appointment of a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby.

In case at any time any of the following shall occur: (1) any such Trustee hereunder shall cease to be eligible in accordance with the provisions hereof and shall fail to resign after written request therefor has been given to such Trustee by the Authority or by any Holder of a Senior Lien Bond who has been a bona fide Holder of a Senior Lien Bond for at least six (6) months, or (2) any such Trustee hereunder shall become incapable of acting, or shall be

adjudged a bankrupt or insolvent, or a receiver for such Trustee or of its property shall be appointed, or any public officer shall take charge or control of such Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case, the Authority may remove such Trustee by an instrument in writing or any such Holder of a Senior Lien Bond may, on behalf of himself or itself and all others similarly situated, petition any court of competent jurisdiction for the removal of such Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, remove such Trustee.

Any such Trustee shall execute, acknowledge and deliver to its predecessor, and also to the Authority, an instrument in writing accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all the rights, powers, trusts, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named as trustee; but such predecessor shall, nevertheless, on the written request of the Authority or such successor Trustee, execute and deliver an instrument transferring to such successor Trustee all rights, powers, trusts, duties and obligations of such predecessor in trust hereunder and shall deliver all monies held by it to such successor Trustee, together with an accounting of funds held by it hereunder. The successor Trustee shall have no responsibility for the acts of the predecessor Trustee.

Upon acceptance of appointment by a successor Trustee as provided in this Section 11.01, the Authority shall mail notice of the succession of such Trustee to the trusts hereunder to the Holders of the Senior Lien Bonds. If the Authority shall fail to mail such notice within ten (10) days after acceptance of appointment by a successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any successor Trustee may sell or transfer all or substantially all of its corporate trust business, shall be the successor Trustee hereunder without the execution or filing of any paper or any further act on the part of the Authority, anything herein to the contrary notwithstanding; provided such corporation meets the qualifications set forth in this section.

The Trustee may be removed by the Authority at any time, provided, however, that (i) such removal is subject to revocation by Senior Lien Bondholders of not less than ten percent (10%) of the Senior Lien Bonds then Outstanding and (ii) such removal may not be effected if (A) an Event of Default (as defined in Section 7.01) has occurred and is continuing, or (B) there is any deficiency in any fund or account held under this Resolution. The Trustee shall mail notice of removal pursuant to this paragraph, postage prepaid, not less than fifteen (15) days after receipt of notification of removal from the Authority, to the registered owners of all Senior Lien Bonds Outstanding at their addresses appearing upon the registry books. Such notice shall state the procedures set forth in this paragraph for revocation of such removal. Failure to receive any such notice of removal shall not affect the proceedings for removal hereunder. Nothing shall prevent the Authority from sending a notice of revocation to all Senior Lien Bondholders, in the event the Trustee refuses or fails to mail such notice or otherwise; provided that in the event the Trustee refuses or fails to mail such notice, the date of mailing of the Authority's notice shall be controlling for the purposes of determining the

period within which notices of revocation must be received, otherwise, the date of the Trustee's notice shall be controlling. Any notices of revocation of removal must be sent by Senior Lien Bondholders to the Trustee, or, if directed by the Authority, an independent trustee selected by the Authority, by registered or certified mail, return receipt requested, and must be received within one hundred and eighty (180) days from the mailing of such notice to Senior Lien Bondholders. Senior Lien Bonds held or owned by or on behalf of the Trustee and Senior Lien Bonds described under Section 6.07 hereof shall not be Outstanding for the purposes of submission of Senior Lien Bondholder revocations pursuant to this paragraph.

Section 11.02. Duties of Trustee; Reliance on Certificates and Opinions. Notwithstanding anything in this Resolution or in any Supplemental Senior Lien Resolution to the contrary, prior to an Event of Default as defined in Section 7.01 hereof of which the Trustee as trustee hereunder has actual knowledge, and after the curing or waiving of all such Events of Default, the Trustee (1) shall have no duties or obligations under this Resolution or any Supplemental Senior Lien Resolution, except to receive the annual audit of the Accountant required by Section 5.14; and (2) may, in the absence of bad faith, conclusively rely upon certificates or opinions conforming to the requirements of this Resolution as to the truth of the statements and the correctness of the opinions expressed therein. In case of an Event of Default as defined in Section 7.01 hereof of which the Trustee has actual knowledge, the Trustee shall exercise such rights and powers vested in it by this Resolution, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of this Resolution shall be construed to relieve the Trustee acting as trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that the Trustee shall at all times: (1) be protected from liability for any error of judgment made in good faith by a responsible officer or officers unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; and (2) be protected with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in principal amount of the Senior Lien Bonds then Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee or to be taken by it, or exercising any trust or power conferred upon the Trustee, under this Resolution. The Trustee shall be protected when acting in good faith and upon advice of counsel who may be counsel to the Authority.

Section 11.03. Evidence of Compliance With the Conditions Precedent; Examination of Evidence. The Authority will furnish, or will cause to be furnished, to the Trustee evidence of compliance with the conditions precedent, if any, provided in this Resolution (including any covenant compliance with which constitutes a condition precedent) which relate to any action to be taken by the Trustee at the request or upon the application of the Authority. The Trustee shall examine such evidence, and any evidence furnished to it pursuant to any other provisions of this Resolution, to determine whether or not such evidence conforms to the requirements of this Resolution.

Section 11.04. Statement by Trustee of Funds and Accounts and Other Matters. Not more than one hundred twenty (120) days after the close of each Fiscal Year, if any, during which an Event of Default has occurred or is continuing, the Trustee hereunder shall furnish the Authority

and any Senior Lien Bondholder filing with the Trustee a written request therefor, a statement setting forth (to the extent applicable) in respect to such Fiscal Year, (a) all transactions relating to the receipt, disbursement and application of all monies received by the Trustee pursuant to the terms of this Resolution, (b) the amount held by the Trustee at the end of such Fiscal Year to the credit of the funds and accounts continued or created hereunder and (c) a brief description of all obligations held by the Trustee as an investment of monies in the funds and accounts continued or created hereunder as of the end of the such Fiscal Year.

Section 11.05. Trustee Hereunder Not Liable for Acts of Authority or Other Trustees; No Representations by Trustee. The Trustee shall not be responsible or have any liability for any act of the Authority or of any other trustee. The Trustee shall not be responsible in any manner whatsoever for the correctness of the recitals, statements and representations in this Resolution or in the Senior Lien Bonds. The Trustee makes no representations as to the validity of this Resolution or of the Senior Lien Bonds issued hereunder, and the Trustee shall not incur any liability or responsibility in respect of any such matters.

Section 11.06. Paying Agents; Paying Agents to Hold Monies in Trust. The Authority shall provide in the Supplemental Senior Lien Resolution authorizing each series of Additional Senior Lien Bonds for the appointment of a principal Paying Agent and such additional Paying; Agents as the members of the Authority shall deem appropriate. Principal of and premium, if any, on all Senior Lien Bonds of a particular series, shall be payable at the principal office of the principal Paying Agent therefor. Interest on all Senior Lien Bonds shall be payable by check or draft mailed, by wire transfer or in any other manner provided by the Supplemental Senior Lien Resolution authorizing such series of Senior Lien Bonds, to the registered Holder thereof at his address as it appears on the books of registry and except that any Series of Senior Lien Bonds issued in book-entry form and the interest thereon shall be payable as provided in the Supplemental Senior Lien Resolution authorizing such Series of Senior Lien Bonds. The Authority shall notify the Trustee of each Paying Agent appointed for a Series of Senior Lien Bonds.

In the event the Authority determines it is in the best interest of the Authority it may replace any Paying Agent appointed pursuant to this Resolution or any Supplemental Senior Lien Resolution.

Each Paying Agent shall hold in trust for the benefit of the Holders of the Senior Lien Bonds all sums held by such Paying Agent for the payment of the principal of and interest on the Senior Lien Bonds. Such Paying Agent shall give to the Trustee notice of any default by the Authority in the making of any such payment.

Section 11.07. Trustee, Registrars, Paying Agents and Securities Depository May Buy, Hold, Sell or Deal in Senior Lien Bonds and Other Indebtedness of Authority. Any Trustee, Registrar, Paying Agent and securities depository and their respective directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Senior Lien Bonds issued under the provision of this Resolution and may join in any action which any Holder of a Senior Lien Bond may be entitled to take, with like effect as if the Trustee, Registrar, Paying Agent or security depository were not a Trustee, a Registrar, a Paying Agent or a securities depository, as the case may be, under this Resolution. Any Trustee, Registrar, Paying Agent and

securities depository may in good faith hold any other form of indebtedness of the Authority, own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the Authority; make disbursements for the Authority; and enter into any commercial or business arrangement with Authority.

Section 11.08. Reimbursement of Trustee, Registrars and Paying Agents Hereunder for Fees, Expenses and Charges. The Trustee shall be entitled to reasonable fees and reimbursement by the Authority for all expenses, charges, counsel fees and other disbursements reasonably incurred by it in the performance of its duties and powers under this Resolution, including those of its attorneys, agents and employees in such manner as may be agreed to with the Authority. After the occurrence of an Event of Default, the Trustee shall be entitled to the aforesaid fees and reimbursement, whether or not agreed to with the Authority. Each Registrar and each Paying Agent shall also be entitled to reasonable fees and to reimbursement by the Authority for all expenses and charges reasonable incurred by it in the performance of its duties hereunder in such manner as may be agreed to with the Authority.

ARTICLE XII

MISCELLANEOUS

Section 12.01. No Personal Liability. No director of the Authority and no officer or employee thereof shall be individually or personally liable for the payment of the principal of or interest or premium on the Senior Lien Bonds; but nothing herein contained shall relieve any such director, officer or employee from the performance of any duty provided or required by law, including by this Resolution.

Section 12.02. Limitation of Rights. With the exception of rights or benefits herein expressly conferred, nothing expressed or mentioned in or to be implied from this Resolution or the Senior Lien Bonds is intended or shall be construed to give to any person other than the Authority and the Holders of the Senior Lien Bonds, any legal or equitable right, remedy or claim under or in respect to this Resolution or any covenants, conditions and provisions herein contained; this Resolution and all of the covenants, conditions and provisions hereof being intended to be and being for the sole and exclusive benefit of the Authority and the Holders of the Senior Lien Bonds as herein provided.

Section 12.03. Laws Governing; Severability. This Resolution shall be construed and enforced in accordance with the Constitution and laws of the State of Arizona.

If any provision of this Resolution shall be held or deemed to be or shall, in fact, be inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever.

The invalidity of any one or more phrases, sentences, clauses, paragraphs or sections in this Resolution shall not affect the remaining portions of this Resolution or any part thereof.

Section 12.04. Effect of Saturdays, Sundays and Legal Holidays. Whenever this Resolution or a Senior Lien Bond require any action to be taken on a Saturday, Sunday or legal holiday, such action shall be taken on the first business day occurring thereafter. Whenever in this Resolution or a Senior Lien Bond the time within which any action is required to be taken or within which any right will lapse or expire shall terminate on a Saturday, Sunday or legal holiday, such time shall continue to run until midnight on the next succeeding business day.

Section 12.05. Section Headings; Table of Contents. The headings or titles of the several sections hereof, and any table of contents appended hereto or to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this Resolution.

Section 12.06. Effectiveness of This Resolution. This Resolution shall become effective upon its adoption.