

Underlying Ratings

Moody's: A3

Fitch: A-

Insured Ratings*

Moody's: Aa3 (outlook negative)*

Standard & Poor's: AA+ (stable outlook)*

In the opinion of Co-Bond Counsel to the Authority, under existing law, interest on the Series 2010 Bonds (i) will be excludable from gross income for federal income tax purposes if the Authority complies with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance and sale of the Series 2010 Bonds in order that interest thereon be and remain excludable from gross income, except for interest on any Series 2010 Bonds for any period during which such Series 2010 Bonds are held by a person who is a "Substantial User" of the Airport facilities financed by the Series 2010 Bonds or a "related person" within the meaning of Section 147(a) of the Code, and (ii) will not be an item of tax preference for purposes of the federal alternative minimum tax on individuals and corporations. Co-Bond Counsel to the Authority is also of the opinion that, under existing law, statutes and regulations, interest on the Series 2010 Bonds will be exempt from State of Alabama income taxation. See "TAX MATTERS" herein for further information and certain other federal tax consequences arising with respect to the Series 2010 Bonds.



\$151,705,000

Birmingham Airport Authority

Airport Revenue Bonds

Series 2010

(Non-AMT)

Issue Date: Date of Initial Delivery

Due: July 1, as shown on inside cover

SEE INSIDE COVER FOR MATURITIES, AMOUNTS, RATES, PRICES OR YIELDS, AND CUSIPS

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

The bonds being issued and sold pursuant to this Offering Memorandum are Airport Revenue Bonds, Series 2010, issued by the Birmingham Airport Authority (the "Authority") in the aggregate principal amount of \$151,705,000 (the "Series 2010 Bonds"). The Series 2010 Bonds are being issued by the Authority to (i) finance a portion of the costs of a major renovation of the Airport, which renovation includes, without limitation, certain terminal modernization improvements and equipment, parking facility improvements and equipment and airfield improvements, as described in more detail herein, (ii) pay capitalized interest on a portion of the Series 2010 Bonds through December 22, 2013, (iii) make a deposit to the Reserve Fund hereinafter described and (iv) pay the issuance expenses of the Series 2010 Bonds.

The Series 2010 Bonds will be issued in fully registered form in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in denominations of \$5,000 or any integral multiple thereof, under the book-entry only system maintained by DTC. The principal of, premium, if any, and interest on the Series 2010 Bonds are payable by Synovus Bank, Birmingham, Alabama, as successor trustee, to DTC, which in turn will remit such payments to its participants for subsequent disbursement to purchasers as described herein while the Series 2010 Bonds are registered in the name of Cede & Co. Interest will accrue on the Series 2010 Bonds from the date of their initial delivery and will be payable semiannually on January 1 and July 1 of each year, commencing July 1, 2011. In accordance with the terms and conditions of the Indenture and the Seventh Supplemental Indenture, all of the Series 2010 Bonds will be issued in the aggregate principal amounts and at the interest rates, and will mature in the amounts and on the dates as set forth on the inside cover page of this Offering Memorandum. The Series 2010 Bonds are subject to optional redemption, extraordinary optional redemption, and mandatory redemption prior to maturity as described herein.

THE SERIES 2010 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2010 BONDS FROM THE NET REVENUES HEREIN DESCRIBED, AND OTHER FUNDS OF THE AUTHORITY PLEDGED THEREFOR UNDER THE TERMS OF THE INDENTURE AND AVAILABLE FOR SUCH PAYMENT. THE AUTHORITY ALSO EXPECTS TO PAY A PORTION OF THE PRINCIPAL AND INTEREST ON THE SERIES 2010 BONDS FROM PFC MONIES (AS HEREINAFTER DEFINED), WHICH ARE NOT SUBJECT TO THE LIEN OF THE INDENTURE. THE SERIES 2010 BONDS ARE NOT A DEBT OF THE CITY OF BIRMINGHAM, THE STATE OF ALABAMA, OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE CITY OF BIRMINGHAM, THE STATE OF ALABAMA OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE FOR THE SERIES 2010 BONDS. THE SERIES 2010 BONDS SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE AUTHORITY OTHER THAN PFC MONIES. THE AUTHORITY HAS NO TAXING POWER.

Under the Indenture, the Series 2010 Bonds will be secured by the Net Revenues on a parity basis with the Authority's \$20,820,000 initial principal amount Airport Revenue Refunding Bonds, Series 2003-A (Non-AMT), \$17,875,000 initial principal amount Airport Revenue Refunding Bonds, Series 2003-B (AMT), and \$44,635,000 initial principal amount Airport Revenue Refunding Bonds, Series 2007 (AMT), and, further, with any additional parity bonds hereinafter issued. See "SECURITY FOR THE SERIES 2010 BONDS – Source of Payment" and "SECURITY FOR THE SERIES 2010 BONDS – Additional Bonds" herein. The scheduled payment of principal of and interest on the Series 2010 Bonds maturing on July 1 of the years 2014 through 2040, inclusive (the "Insured Series 2010 Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Series 2010 Bonds by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.).



The Series 2010 Bonds are being offered subject to prior sale when, as and if issued by the Authority and accepted by the Underwriters and subject to the approval of legality by Balch & Bingham LLP, Birmingham, Alabama, and Thomas, Means, Gillis & Seay, P.C., Birmingham, Alabama, as Co-Bond Counsel to the Authority. Certain legal matters will also be passed on for the Authority by Jones and Berry P.C., Birmingham, Alabama, and Maynard, Cooper & Gale, P.C., Birmingham, Alabama, Co-Counsel to the Authority, and for the Underwriters by Bradley Arant Boult Cummings LLP, Birmingham, Alabama, and Yvonne Green Davis, P.C., Birmingham, Alabama, Co-Counsel to the Underwriters. It is expected that the Series 2010 Bonds in definitive form will be ready for delivery through the facilities of The Depository Trust Company on or about December 22, 2010.

MORGAN KEEGAN

Raymond James & Associates, Inc. Securities Capital Corporation Grigsby & Associates, Inc.

Dated: December 9, 2010

* Applicable only to those of the Series 2010 Bonds scheduled to mature in 2014 and thereafter.

MATURITIES, AMOUNTS, RATES, PRICES & CUSIPS

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
July 1, 2011*	\$ 500,000	3.000%	1.520%	090888FQ6
July 1, 2012*	1,210,000	3.000	1.850	090888FR4
July 1, 2013*	1,245,000	3.000	2.200	090888FS2
July 1, 2014	1,280,000	4.000	2.420	090888FT0
July 1, 2015	1,330,000	4.000	2.750	090888FU7
July 1, 2016	1,385,000	4.000	3.100	090888FV5
July 1, 2017	1,440,000	5.000	3.510	090888FW3
July 1, 2018	1,515,000	3.500	3.820	090888FX1
July 1, 2019	1,565,000	5.000	4.130	090888FY9
July 1, 2020	1,645,000	5.000	4.370	090888FZ6
July 1, 2021	5,510,000	6.000	4.700	090888GC6
July 1, 2022	5,815,000	6.000	4.840	090888GD4
July 1, 2023	6,155,000	6.000	4.980	090888GE2

\$16,700,000 5.000% Term Series 2010 Bonds due July 1, 2025, Yield 5.250%, CUSIP 090888GA0

\$58,555,000 5.250% Term Series 2010 Bonds due July 1, 2030, Yield 5.500%, CUSIP 090888GF9

\$45,855,000 5.500% Term Series 2010 Bonds due July 1, 2040, Yield 5.750%, CUSIP 090888GB8

*** The scheduled payment of principal of and interest on the Series 2010 Bonds maturing on July 1 of the years 2014 through 2040, inclusive, when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Series 2010 Bonds by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (the "Bond Insurer"). Those of the Series 2010 Bonds maturing in the years 2011 through 2013, inclusive, are uninsured and are not guaranteed by or otherwise subject to the said insurance policy to be issued by the Bond Insurer.**

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("Assured Guaranty") makes no representation regarding the Insured Series 2010 Bonds or the advisability of investing in the Insured Series 2010 Bonds. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Offering Memorandum or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "BOND INSURANCE" and in APPENDIX F – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY" hereto.

BIRMINGHAM AIRPORT AUTHORITY

Members

Gaynell Hendricks, Board Chairwoman
Steven W. Hoyt, Vice Chairman
Jeaniece Allen
David W. Wood, II
John E. Burks
Ruffner Page
Michael H. Bell
William A. Bell, Sr., Mayor, Ex Officio Member

Airport Management

Alfonso Denson	President and CEO
Mary Mindinghall	Senior Vice President of Finance and Administration
Walker Johnson	Vice President of Finance
James Ray, Jr.	Vice President of Engineering and Development
Jim Payne	Director of Operations and Planning
Mike Thompson	Director of Facilities
Daagye Hendricks	Parking Operations Manager

Co-Bond Counsel

Balch & Bingham LLP
Birmingham, Alabama

Co-Bond Counsel

Thomas, Means, Gillis & Seay, P.C.
Birmingham, Alabama

Co-Underwriters' Counsel

Bradley Arant Boult Cummings LLP
Birmingham, Alabama

Co-Underwriters' Counsel

Yvonne Green Davis, P.C.
Birmingham, Alabama

Co-Counsel to Airport Authority

Jones and Berry P.C.
Birmingham, Alabama

Co-Counsel to Airport Authority

Maynard, Cooper & Gale, P.C.
Birmingham, Alabama

Airport Consultant

Unison Consulting, Inc.
Chicago, Illinois

Financial Advisor

Waters and Company, LLC
Birmingham, Alabama

Auditor

Banks, Finley, White & Co.
Birmingham, Alabama

The information contained in this Offering Memorandum has been obtained from the Authority and other sources deemed to be reliable, but no representation or guarantee is made by the Underwriters as to the accuracy or completeness of such information, and nothing contained in this Offering Memorandum is or shall be construed or relied upon as a guarantee, promise or representation by the Underwriters.

This Offering Memorandum is submitted in connection with the sale of the Series 2010 Bonds described herein and may not be reproduced or used, in whole or in part, for any other purpose. All quotations from and summaries and explanation of laws and documents herein do not purport to be complete, and reference is made to such laws and documents for full and complete statements of their provisions. Any statement made in this Offering Memorandum involving estimates or matters of opinion, whether or not expressly so stated, are intended merely as estimates or opinions and not as representations of fact. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy the Series 2010 Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction. No dealer, salesman nor any other person has been authorized by the Authority to give any information or to make any representations, other than those contained herein, in connection with the offering of the Series 2010 Bonds, and, if given or made, such information or representations must not be relied upon as having been authorized by the Authority or any other person.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (the "Bond Insurer") makes no representation regarding the Series 2010 Bonds or the advisability of investing in the Series 2010 Bonds. In addition, the Bond Insurer has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Offering Memorandum or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Bond Insurer supplied by the Bond Insurer and presented under the heading "Bond Insurance" and "Exhibit F – Municipal Bond Insurance Policy".

THIS OFFERING MEMORANDUM IS BEING PROVIDED TO PROSPECTIVE PURCHASERS IN ELECTRONIC FORMAT ON THE FOLLOWING WEBSITE: WWW.MUNIOS.COM. THIS OFFERING MEMORANDUM MAY BE RELIED UPON ONLY IF IT IS PRINTED IN ITS ENTIRETY DIRECTLY FROM SUCH WEBSITE.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2010 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2010 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET; SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE.

NEITHER THE SERIES 2010 BONDS NOR THE INDENTURE (AS AMENDED) HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED, AND SECTION 304(A)(4) OF THE TRUST INDENTURE ACT OF 1939, AS AMENDED. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2010 BONDS AND THE INDENTURE IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2010 BONDS AND THE INDENTURE HAVE BEEN REGISTERED OR QUALIFIED, AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES, SHALL NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SERIES 2010 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFERING MEMORANDUM
relating to
\$151,705,000
Birmingham Airport Authority
Airport Revenue Bonds
Series 2010
(Non-AMT)

INTRODUCTION

The purpose of this Offering Memorandum, which includes the cover page and appendices hereto, is to set forth information concerning the Birmingham Airport Authority (the "Authority"), the Birmingham-Shuttlesworth International Airport (the "Airport"), and certain other information in connection with the issuance and sale of the Authority's \$151,705,000 Airport Revenue Bonds, Series 2010, dated their date of initial delivery (the "Series 2010 Bonds").

The Series 2010 Bonds are being issued under a Trust Indenture dated as of June 1, 1990, as supplemented by a First Supplemental Indenture dated as of September 15, 1993, a Second Supplemental Indenture dated October 1, 1996, a Third Supplemental Indenture dated January 1, 1999, a Fourth Supplemental Indenture dated October 1, 2003, a Fifth Supplemental Indenture dated October 1, 2003, and a Sixth Supplemental Indenture dated July 1, 2007, and as further supplemented by a Seventh Supplemental Indenture dated as of December 1, 2010 (said Trust Indenture, as so supplemented, being herein called the "Indenture"), between the Authority and Synovus Bank, a Georgia banking corporation (as successor in title to First Commercial Bank), as Trustee (the "Trustee"). The proceeds of the Series 2010 Bonds will be used to (i) finance a portion of the costs of a major renovation of the Airport, which renovation includes, without limitation, certain terminal modernization improvements and equipment, parking facility improvements and equipment and airfield improvements, as described in more detail herein, (ii) pay capitalized interest on a portion of the Series 2010 Bonds through December 22, 2013, (iii) make a deposit to the Reserve Fund hereinafter described and (iv) pay the issuance expenses of the Series 2010 Bonds.

The Series 2010 Bonds will be secured by Net Revenues on a parity of lien with the Authority's \$20,820,000 initial principal amount Airport Revenue Refunding Bonds, Series 2003-A (Non-AMT) (the "Series 2003-A Bonds"), \$17,875,000 initial principal amount Airport Revenue Refunding Bonds, Series 2003-B (AMT) (the "Series 2003-B Bonds"), and \$44,635,000 initial principal amount Airport Revenue Refunding Bonds, Series 2007 (AMT) (the "Series 2007 Bonds" and, together with the Series 2003-A Bonds and the Series 2003-B Bonds, the "Outstanding Parity Bonds"). Subject to certain conditions, Additional Bonds may be issued under the Indenture and secured by Net Revenues on a parity basis with the Series 2010 Bonds, the Outstanding Parity Bonds and any Additional Bonds then outstanding. The Series 2010 Bonds, the Outstanding Parity Bonds and any such Additional Bonds hereafter issued are herein collectively referred to from time to time as the "Bonds". Capitalized terms not otherwise defined in this Offering Memorandum shall have the meanings set forth in APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE".

Under the PFC Act (as hereinafter defined), airports may apply to the Federal Aviation Administration (the "FAA") for authorization to impose a passenger facility charge (each, a "PFC") on every enplaning revenue passenger at the sponsored airport and to use the revenues derived from any such PFC to pay the allowable costs of PFC Eligible Projects (as hereinafter defined). Under the 2010 PFC Application (as hereinafter defined), which was approved by the FAA on November 4, 2010, the Authority anticipates (i) imposing a \$4.50 PFC on each enplaning revenue passenger at the Airport, up to an aggregate amount of \$151,500,000, and (ii) applying a portion of the PFC Monies (as hereinafter defined) received by the Authority to pay the debt service on that portion of the Series 2010 Bonds issued to finance PFC Eligible Projects. See "SECURITY FOR THE SERIES 2010 BONDS – Passenger Facility Charges" herein.

The definitions of "Revenues" and "Net Revenues" in the Indenture do not include any PFCs or the PFC Monies, and such PFCs and PFC Monies are not pledged as security for the payment of the Series 2010 Bonds or otherwise subject to the lien of the Indenture. Under the Seventh Supplemental Indenture, the Authority shall (i) create a special purpose account at a commercial bank of the Authority's choosing (the "PFC Account") and

(ii) deposit all PFC Monies upon receipt in the PFC Account. The Authority has irrevocably committed under the Seventh Supplemental Indenture to withdraw a portion of such PFC Monies at certain times and, to the extent available, up to certain amounts, for payment of a portion of the debt service on the Series 2010 Bonds. See "SECURITY FOR THE SERIES 2010 BONDS – Commitment of Certain PFC Monies – PFC Account" herein.

The Series 2010 Bonds are subject to optional redemption, extraordinary optional redemption, and mandatory redemption at the times and under the circumstances set forth herein. See "DESCRIPTION OF THE SERIES 2010 BONDS – Optional Redemption", "DESCRIPTION OF THE SERIES 2010 BONDS – Extraordinary Optional Redemption" and "DESCRIPTION OF THE SERIES 2010 BONDS – Scheduled Mandatory Redemption". The Series 2010 Bonds are being issued in the denomination of \$5,000 or any multiple thereof and may be transferred and exchanged subject to certain terms and conditions set forth herein. See "DESCRIPTION OF THE SERIES 2010 BONDS" herein.

The Authority has covenanted to undertake certain continuing disclosure pursuant to Rule 15c2-12 of the Securities and Exchange Commission. See "CONTINUING DISCLOSURE" herein.

The scheduled payment of principal of and interest on the Series 2010 Bonds maturing on July 1 in the years 2014 through 2040, inclusive (the "Insured Series 2010 Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Series 2010 Bonds by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (the "Bond Insurer"). See "BOND INSURANCE" herein.

This Offering Memorandum speaks only as of its date, and the information contained herein is subject to change. This Offering Memorandum and any continuing disclosure documents of the Authority are intended to be made available prior to the issuance and sale of the Series 2010 Bonds through its senior underwriter, Morgan Keegan & Company, Inc., D.J. Mehigan, Riverfront Plaza, 915 E. Byrd Street, Suite 930, Richmond, Virginia, 23219, telephone (800) 290-1330. Following the issuance and sale of the Series 2010 Bonds, this Offering Memorandum and any continuing disclosure documents of the Authority will be made available through Walker Johnson, Vice President of Finance, Birmingham Airport Authority, 5900 Messer-Airport Highway, Birmingham, Alabama 35212, telephone (205) 595-0533.

PURPOSE OF SERIES 2010 BONDS

General

In accordance with the terms and conditions of the Indenture, the Series 2010 Bonds will be issued in fully registered form. The Series 2010 Bonds are being issued in order to (i) finance a portion of the costs of a major renovation of the Airport, which renovation includes, without limitation, certain terminal modernization improvements and equipment, parking facility improvements and equipment and airfield improvements, as described in more detail herein, (ii) pay capitalized interest on a portion of the Series 2010 Bonds through December 22, 2013, (iii) make a deposit to the Reserve Fund hereinafter described and (iv) pay the issuance expenses of the Series 2010 Bonds.

Improvements to be Constructed and Acquired with Proceeds of Series 2010 Bonds

The Authority has developed a multi-year capital improvement plan (the "Capital Improvement Plan") encompassing various capital improvements and equipment at the Airport at an estimated cost of approximately \$369,195,808. The Capital Improvement Plan is designed to provide critical capital improvements and equipment to, and to preserve existing capital assets of, the Airport. The largest component of the Capital Improvement Plan includes improvements to, and equipment for, the main terminal building of the Airport, which are estimated to cost approximately \$201,649,150. Of that amount, the Authority estimates approximately \$116,075,430 will be financed with proceeds of the Series 2010 Bonds (with the remaining balance of \$85,573,720 to be paid with proceeds from federal grant funding for which the Authority has applied, as well as other funds of the Authority). The Authority also anticipates applying approximately \$10,000,000 from proceeds of the Series 2010 Bonds to construct various parking facility improvements included within the Capital Improvement Plan. See "PLAN OF FINANCE" and "CAPITAL IMPROVEMENT PLAN – Parking Facility Improvements" herein.

ESTIMATED SOURCES AND USES OF PROCEEDS OF SERIES 2010 BONDS

The following table describes the estimated sources and uses of funds (exclusive of accrued interest, if any) respecting the Series 2010 Bonds:

Sources of Funds

Principal amount of Series 2010 Bonds	\$151,705,000.00
Less net original issue discount	<u>1,736,428.95</u>
Total Sources	\$149,968,571.05

Uses of Funds

Deposit to 2010 Construction Fund	\$125,122,283.24
Deposit into Series 2010 Capitalized Interest Fund	10,704,988.44
Deposit into Debt Service Reserve Fund	10,448,059.09
Deposit into 2010 Issuance Expense Account to pay issuance expenses (including underwriting fees, the premium for the municipal bond insurance policy, rating agency fees, legal, accounting and other issuance expenses)	<u>3,693,240.28</u>
Total Uses	\$149,968,571.05

DESCRIPTION OF THE SERIES 2010 BONDS

The following is a summary of certain provisions of the Series 2010 Bonds, including terms relating to the redemption of the Series 2010 Bonds. Reference is hereby made to the Indenture and the Seventh Supplemental Indenture, both of which are summarized in APPENDIX C – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" herein, for the detailed provisions pertaining to the Series 2010 Bonds.

General

In accordance with the terms and conditions of the Indenture the Series 2010 Bonds will be issued in fully registered form, in the aggregate principal amounts and at the interest rates, and will mature in the amounts and on the dates as set forth on the inside cover page hereof. The Series 2010 Bonds are to be dated their date of delivery, and are issuable in denominations of \$5,000 or any integral multiple thereof. Interest will accrue on the Series 2010 Bonds from the date of their initial delivery and will be payable semiannually on July 1, 2011, and on each January 1 and July 1 thereafter (each such date, an "Interest Payment Date"). Interest on each Series 2010 Bond shall be computed on the basis of a 360-day year of twelve consecutive 30-day months. Interest will be payable by check or draft mailed, or wire transfer, by the Trustee as provided below. The principal and premium (if any) due on the Series 2010 Bonds shall be payable at maturity or earlier redemption as provided in the Indenture.

Method and Place of Payment

The Series 2010 Bonds will be issued in book-entry only form, as described in APPENDIX E – "BOOK-ENTRY ONLY SYSTEM", and the method and place of payment will be as provided in the book-entry only system. The provisions set forth in this section below will apply in the event that the use of the Book-Entry Only System for the Series 2010 Bonds is discontinued. Payment of interest due on each Interest Payment Date will be made by check or draft mailed on such Interest Payment Date to the then registered holder of each Series 2010 Bond at the address shown on the registry books of the Trustee. Any such payment of interest shall be deemed timely made if so mailed on the Interest Payment Date (or, if any such Interest Payment Date is not a business day, on the business day next following such Interest Payment Date). Payment of the principal of (and premium, if any, on) the Series 2010 Bonds and payment of accrued interest due upon redemption on any date other than an Interest Payment Date will be made only upon surrender of the Series 2010 Bonds at the corporate trust office of the Trustee (Synovus Bank) located in the City of Birmingham, Alabama (or its successors as Trustee under the Indenture).

Optional Redemption

Those of the Series 2010 Bonds having a stated maturity on or after July 1, 2021, will be subject to redemption and prepayment prior to their stated maturities, at the option of the Authority, as a whole or in part, on July 1, 2020, and on any day thereafter, at and for a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest, if any, to the date fixed for redemption.

The Series 2010 Bonds may be redeemed only in installments of \$5,000 or any integral multiple thereof. If less than all of the Series 2010 Bonds are to be called for redemption on any redemption date, the Authority shall specify the maturity or maturities from which the Series 2010 Bonds to be redeemed shall be selected. In the event that less than all the Series 2010 Bonds of a particular maturity are redeemed and prepaid on a redemption date, the Trustee shall select by lot the Series 2010 Bonds (or portions of the principal thereof) of such maturity to be redeemed and prepaid. The redemption of Series 2010 Bonds on a redemption date shall comply with the applicable provisions of the Indenture, including the giving of such notice to the Holders of Series 2010 Bonds called for redemption as may be required thereby. See "SECURITY FOR THE SERIES 2010 BONDS – Commitment of Certain PFC Monies – PFC Account".

Scheduled Mandatory Redemption

Series 2010 Bonds Maturing July 1, 2025. Those of the Series 2010 Bonds having a stated maturity on July 1, 2025, shall be subject to mandatory redemption and payment on the dates and in the respective principal amounts set forth below, at and for a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption (said redemption to be effected in the manner provided for in the Indenture):

Date	Amount Required to be Redeemed
07/01/2024	\$8,145,000
07/01/2025 (maturity)	8,555,000

Series 2010 Bonds Maturing July 1, 2030. Those of the Series 2010 Bonds having a stated maturity on July 1, 2030, shall be subject to mandatory redemption and payment on the dates and in the respective principal amounts set forth below, at and for a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption (said redemption to be effected in the manner provided for in the Indenture):

Date	Amount Required to be Redeemed
07/01/2026	\$ 8,985,000
07/01/2027	11,455,000
07/01/2028	12,065,000
07/01/2029	12,695,000
07/01/2030 (maturity)	13,355,000

Series 2010 Bonds Maturing July 1, 2040. Those of the Series 2010 Bonds having a stated maturity on July 1, 2040, shall be subject to mandatory redemption and payment on the dates and in the respective principal amounts set forth below, at and for a redemption price equal to the principal amount to be redeemed plus accrued interest to the date fixed for redemption (said redemption to be effected in the manner provided for in the Indenture):

Date	Amount Required to be Redeemed
07/01/2031	\$11,075,000
07/01/2032	3,090,000
07/01/2033	3,260,000
07/01/2034	3,440,000
07/01/2035	3,630,000
07/01/2036	3,825,000

07/01/2037	4,040,000
07/01/2038	4,260,000
07/01/2039	4,495,000
07/01/2040 (maturity)	4,740,000

Extraordinary Optional Redemption

In the event that all or a portion of the Airport Facilities (as hereinafter defined) or the improvements within the Capital Improvement Plan to be financed with proceeds of the Series 2010 Bonds are taken through an exercise of the power of Eminent Domain or damaged or destroyed by fire or other casualty and the Authority elects to use all or a portion of the Net Condemnation Award or the Net Insurance Proceeds, as the case may be, to redeem Series 2010 Bonds, then Series 2010 Bonds in a principal amount equal to the amount of the Net Condemnation Award or Net Insurance Proceeds to be applied for such purpose and in such maturities as shall be specified by the Authority shall be subject to redemption, at and for a redemption price, with respect to each Series 2010 Bond (or principal portion thereof) to be redeemed, equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. In case any of the Series 2010 Bonds are to be redeemed pursuant to this provision of the Indenture, the date fixed for such redemption shall be the Interest Payment Date immediately succeeding the date upon which the monies to be applied for such redemption are deposited into the Bond Fund. The redemption of the Series 2010 Bonds in connection with an extraordinary event as described above shall comply with the applicable provisions of the Indenture, including the giving of such notice to the Holders of Series 2010 Bonds called for redemption as may be required thereby.

Delivery of Series 2010 Bonds by Authority for Cancellation

The Trustee shall cancel any Series 2010 Bonds from time to time purchased by the Authority and surrendered to the Trustee for cancellation. The principal amount of any Series 2010 Bonds maturing on July 1, 2025, July 1, 2030 or July 1, 2040, that are so purchased by the Authority and cancelled by the Trustee shall be credited against the aggregate principal amount of Series 2010 Bonds having the same stated maturity that are required to be redeemed pursuant to the mandatory redemption provisions of the Indenture (as summarized above under "Scheduled Mandatory Redemption") on the July 1 next succeeding the date on which such purchased Series 2010 Bonds shall be delivered to the Trustee, and the effect of such credit shall be to reduce by the principal amount thereof the aggregate principal amount of Series 2010 Bonds of such maturity required to be redeemed on such July 1; provided, however, that no credit in respect of the redemption of Series 2010 Bonds required on any July 1 shall be allowed for any Series 2010 Bonds maturing on July 1, 2025, July 1, 2030 or July 1, 2040, and delivered to the Trustee for cancellation unless the same shall be delivered to the Trustee prior to May 15 of the year in which such redemption is to be effected. Any credit for Series 2010 Bonds in excess of that allowed for the July 1 next succeeding the date on which they were delivered to the Trustee for cancellation shall be applied until exhausted against next succeeding mandatory redemptions of Series 2010 Bonds.

Call for and Notice of Redemption

The Board of Directors of the Authority shall adopt a resolution calling for the redemption, on a specified date, of any Series 2010 Bonds which are being redeemed pursuant to the Authority's option or the applicable extraordinary redemption provisions. Said resolution shall contain, among other things, (i) a call for redemption, on a specified date when they are by their terms subject to redemption, of Series 2010 Bonds have stated maturities and series designations; (ii) unless all of the Series 2010 Bonds then outstanding are to be redeemed (or unless a portion of all such outstanding Series 2010 Bonds are to be redeemed and the remainder are, simultaneously with or prior to such redemption, to be otherwise retired), a statement that the Authority is not in default under the Indenture; and (iii) a summary of any applicable restrictions upon or conditions precedent to such redemption and the provisions made to comply therewith; provided, it shall not be necessary for the Board of Directors of the Authority to adopt any such resolution in the case of the redemption of Series 2010 Bonds subject to scheduled mandatory redemption.

The Trustee (on behalf of the Authority) shall give notice by United States registered or certified mail to the Holder of any Series 2010 Bond called for redemption, in whole or in part, in form and content prescribed by the Indenture, not more than 60 days nor less than 30 days prior to the redemption date. A further notice containing additional information as set forth in the Indenture is required to be given to certain registered holders by registered

or certified mail or by overnight delivery service at least 45 days prior to the redemption date; provided, however, the if such further notice is not given, or if there is any defect in said further notice, the call for redemption is still effective so long as the first notice shall have been given.

Registration, Transfer and Exchange

The Series 2010 Bonds are issued in fully registered form and are initially to be registered in the name of Cede & Co., as nominee for DTC, as securities depository for the Series 2010 Bonds. Purchases by Beneficial Owners of the Series 2010 Bonds are to be made in book entry form in the principal amount of \$5,000 or any integral multiple thereof. Payments to Beneficial Owners are to be made as described on APPENDIX E - "BOOK-ENTRY ONLY SYSTEM" to this Offering Memorandum. Provision is made in the Indenture for the exchange of the Series 2010 Bonds for a like aggregate principal amount of Series 2010 Bonds of the same maturity and in authorized denominations, all upon the terms and subject to the conditions set forth in the Indenture.

Each Series 2010 Bond is transferable by the registered holder thereof, in person or by authorized attorney, only on the books of the Trustee and only upon surrender of such Series 2010 Bond to the Trustee for cancellation, and upon any such transfer a new Series 2010 Bond of like tenor will be issued to the transferee in exchange therefor, all as more particularly described in the Indenture. Each holder, by receiving or accepting a Series 2010 Bond, shall consent and agree and shall be estopped to deny that, insofar as the Authority and the Trustee are concerned, such Series 2010 Bond may be transferred only in accordance with the provisions of the Indenture.

The Trustee shall not be required to transfer or exchange the Series 2010 Bonds during the period of fifteen (15) days next preceding any Interest Payment Date; and in the event that a Series 2010 Bond (or any principal portion thereof) is duly called for redemption and prepayment, the Trustee shall not be required to transfer or exchange such Series 2010 Bond during the period of forty-five (45) days next preceding the date fixed for such redemption and prepayment.

The Indenture provides that all payments by the Authority or the Trustee to the person in whose name a Series 2010 Bond is registered shall to the extent thereof fully discharge and satisfy all liability for the same. Any transferee of a Series 2010 Bond takes it subject to all payments of principal and interest in fact made with respect hereto.

SECURITY FOR THE SERIES 2010 BONDS

Source of Payment

The payment of all obligations due under the Series 2010 Bonds is secured under the Indenture by the pledge of (i) Net Revenues, (ii) monies required to be deposited into the Revenue Fund, the Bond Fund, the Reserve Fund, the 2010 Construction Fund, the Subordinate Debt Fund and any investments, reinvestments, income and proceeds thereof (subject to certain permitted disbursements from said funds), and (iii) any other security transferred to the Trustee in trust as additional security for the payment of the Series 2010 Bonds under the Indenture. As used herein and in the Indenture, "Net Revenues" are Revenues (including any transfers of funds to the Revenue Fund) less Current Expenses.

The Series 2010 Bonds are secured by the Net Revenues on a parity of lien with the Outstanding Parity Bonds and any Additional Bonds hereafter issued in accordance with the requirements of the Indenture. See "Additional Bonds" hereunder.

In addition, a portion of the principal and interest on the Series 2010 Bonds is expected to be paid by the Authority from PFC Monies, but only to the extent (i) available for such purpose and up to the amounts set forth in the Schedule of PFC Transfers under "Commitment of Certain PFC Monies – PFC Account" hereunder, and (ii) allocable to those portions of the Series 2010 Bonds proceeds used to finance PFC Eligible Projects. **The PFC Account is not subject to the lien of the Indenture, and all amounts at any time held therein (including, without limitation, PFC Monies) are not pledged for payment of the Series 2010 Bonds (or for any other Bonds that at any time may be outstanding under the Indenture).** Amounts on deposit in the PFC Account may

only be used for payment of the debt service on those portions of the Series 2010 Bonds allocable to PFC Eligible Projects included within the Authority's 2010 PFC Application or for payment of PFC Eligible Projects included within the Authority's 2010 PFC Application. Amounts on deposit in the PFC Account are not available for payment of debt service on the Outstanding Parity Bonds. See "Commitment of Certain PFC Monies – PFC Account" hereunder.

The scheduled payment of principal of and interest on the Series 2010 Bonds maturing on July 1 in the years 2014 through 2040, inclusive (the "Insured Series 2010 Bonds"), when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Insured Series 2010 Bonds by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) (the "Bond Insurer"). See "BOND INSURANCE" herein.

Special and Limited Obligations

THE SERIES 2010 BONDS ARE SPECIAL AND LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY IS OBLIGATED TO PAY PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2010 BONDS FROM THE NET REVENUES AND OTHER FUNDS OF THE AUTHORITY PLEDGED THEREFORE UNDER THE TERMS OF THE INDENTURE AND AVAILABLE FOR SUCH PAYMENT. IN ADDITION, A PORTION OF THE PRINCIPAL AND INTEREST ON THE SERIES 2010 BONDS IS EXPECTED TO BE PAID FROM PFC MONIES. THE SERIES 2010 BONDS ARE NOT A DEBT OF THE CITY OF BIRMINGHAM, THE STATE OF ALABAMA, OR ANY POLITICAL SUBDIVISION THEREOF, AND NONE OF THE CITY OF BIRMINGHAM, THE STATE OF ALABAMA OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE FOR THE SERIES 2010 BONDS. THE SERIES 2010 BONDS SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE AUTHORITY OTHER THAN PFC MONIES. THE AUTHORITY HAS NO TAXING POWER.

Passenger Facility Charges

The Authority submitted an application with the FAA on September 20, 2010 for the authority to impose and use PFCs to pay a portion of the costs of constructing and acquiring a portion of the improvements and equipment within the Capital Improvement Plan. Said application, as the same may hereafter be amended, shall be herein referred to as the "2010 PFC Application". In accordance with the PFC Act, the FAA approved the 2010 PFC Application on November 4, 2010. Under the 2010 PFC Application, the Authority may collect approximately \$151,500,000 of PFCs through July 1, 2031. Since the Authority anticipates using approximately \$65.5 million of proceeds of the Series 2010 Bonds to finance PFC Eligible Projects, the Authority expects to use a portion of the PFC Monies to pay a portion of the debt service on the Series 2010 Bonds. Neither (i) the PFCs imposed by the Authority under the 2010 PFC Application and the PFC Act or (ii) the revenues collected by the Authority from the imposition of the PFCs, net of amounts that collecting air carriers receive and are entitled to retain for collecting, handling and remitting such PFCs under the PFC Act (the "PFC Monies"), are pledged as security for the Series 2010 Bonds or otherwise subject to the lien of the Indenture.

Commitment of Certain PFC Monies – PFC Account

Under the Seventh Supplemental Indenture, the Authority has covenanted and agreed to maintain the PFC Account until such time as the Series 2010 Bonds are no longer outstanding under the Indenture. As set forth in the Seventh Supplemental Indenture, promptly upon receipt the Authority shall deposit all PFC Monies received by the Authority into the PFC Account. **THE PFC ACCOUNT IS NOT SUBJECT TO THE LIEN OF THE INDENTURE, AND ANY AMOUNTS HELD THEREIN (INCLUDING, WITHOUT LIMITATION, PFC MONIES) ARE NOT INCLUDED WITHIN THE MEANING OF "REVENUES" OR "NET REVENUES" UNDER THE INDENTURE OR OTHERWISE PLEDGED AS SECURITY FOR THE SERIES 2010 BONDS OR ANY OTHER BONDS.**

The Authority has irrevocably committed in the Seventh Supplemental Indenture for each annual period shown below (each, a "Bond Year"): (i) to make withdrawals on a monthly basis from the PFC Account (to the extent of the funds available therein at the time of withdrawal) in an amount equal to 1/12 of the Transfer Amount shown below for such Bond Year; provided, that for the Bond Year ending July 1, 2011, the amount withdrawn from the PFC Account (to the extent of the funds available therein at the time of withdrawal) shall equal 1/6 of the

Transfer Amount (\$2,499,823.44) for such year, and (ii) to transfer the amounts so withdrawn to the Trustee for immediate deposit in the Bond Fund Primary Account to be used solely for the payment of a portion of the principal and/or interest payable on the Series 2010 Bonds:

Schedule of PFC Transfers

Bond Year Ending July 1,	Transfer Amount
2011	\$2,499,823.44
2012	5,004,187.50
2013	5,002,887.50
2014	5,000,537.50
2015	4,999,337.50
2016	5,001,137.50
2017	5,000,737.50
2018	5,003,737.50
2019	5,000,712.50
2020	5,002,462.50
2021	5,000,212.50
2022	5,001,712.50
2023	5,001,912.50
2024	5,000,512.50
2025	5,002,762.50
2026	4,999,762.50
2027	5,000,850.00
2028	5,000,637.50
2029	5,003,862.50
2030	5,000,000.00
2031	5,004,050.00
2032	5,002,900.00
2033	5,002,950.00
2034	5,003,650.00
2035	5,004,450.00
2036	4,999,800.00
2037	5,004,425.00
2038	5,002,225.00
2039	5,002,925.00
2040	5,000,700.00

provided, however, (i) any excess funds remaining in the PFC Account after the monthly withdrawals and transfers required to be made under the Seventh Supplemental Indenture may be withdrawn by the Authority and used for any purpose, other than payment of debt service on the Series 2010 Bonds, for which PFC Monies may be lawfully expended, and (ii) in its discretion, the Authority may elect to increase the amount to be transferred from the PFC Account to the Bond Fund Primary Account on any monthly withdrawal date during any Bond Year. If such increased transfer, when taken together with the remaining Transfer Amounts shown above, would cause the Authority to exceed any then applicable restriction of the FAA on the Authority's ability to collect and apply PFC's to the 2010 Improvements and debt service on the Series 2010 Bonds, then the Transfer Amount for each Bond Year thereafter shall be reduced as evenly as practicable to cause the total PFC's applied by the Authority for payment of costs of the 2010 Improvements and debt service on the Series 2010 Bonds to comply with the then applicable restrictions of the FAA. Immediately upon any such revision of the Transfer Amounts, the Authority shall (1) deliver to the Trustee a certificate of an Authorized Authority Representative setting forth a revised schedule of PFC Transfers to replace the schedule set forth in the Seventh Supplemental Indenture, and (2) file a "Material Events Notice" through the EMMA (hereinafter defined) system to inform the Series 2010 Bondholders of the reduction in future transfers from the PFC Account to the Bond Fund Primary Account.

Any purchaser of the Series 2010 Bonds should be aware that, pursuant to the 2010 PFC Application, as the same exists on the date hereof, total transfers of PFC Monies into the Bond Fund Primary Account may not exceed \$151,500,000. PFC Monies: (1) may not be sufficient for all scheduled transfers as reflected on the table immediately above in the event the Authority determines to transfer PFC Monies to the Bond Fund Primary Account in earlier years in amounts in excess of the amounts shown in the table above, and (2) may not be sufficient to cover all transfers reflected in the table above in the event the Authority withdraws a certain level of PFC Monies from the PFC Account to cover the costs of PFC Eligible Projects on a pay-as-you-go basis. In addition, the Authority anticipates to collect the full \$151,500,000 by 2031. There is no limitation or guarantee (i) that the balance of PFC Monies as of 2031 will be retained within the PFC Account and/or transferred to the Bond Fund Primary Account pursuant to the schedule above, or (ii) that collections of PFC Monies, if any, after 2031 will be retained within the PFC Account and/or transferred to the Bond Fund Primary Account and used for payment of debt service on the Series 2010 Bonds.

In addition, in the event of any partial redemption of the Series 2010 Bonds prior to maturity, the Seventh Supplemental Indenture permits the Authority to reduce the amounts to be transferred from the PFC Account to the Bond Fund Primary Account in the same proportion as the reduction in annual debt service on the Series 2010 Bonds resulting from such redemption. All funds so transferred from the PFC Account to the Bond Fund Primary Account shall be used solely for the payment of a portion of the principal of, and interest on, the Series 2010 Bonds. The funds transferred to the Bond Fund Primary Account from the PFC Account shall be credited against the required monthly transfers from the Revenue Fund to the Bond Fund Primary Account for payment of the Series 2010 Bonds. Neither the PFC Account nor the funds maintained therein (including, without limitation, the PFC Monies) are pledged as security for the Series 2010 Bonds.

Reserve Fund

Under the Indenture a special trust fund called the "Birmingham Airport Authority Debt Service Reserve Fund" (the "Reserve Fund") has been created for the benefit of certain of the Bonds issued thereunder. The Reserve Fund shall be continued and maintained in accordance with the provisions of the Indenture until the principal of and interest on all Bonds (including, without limitation, the Series 2010 Bonds) secured thereby have been paid in full. The Trustee shall be and remain the depository, custodian, and disbursing agent for the Reserve Fund. The Reserve Fund shall secure the payment of the principal of and interest on the Series 2007 Bonds, the Series 2010 Bonds, and any Additional Bonds hereafter issued that the Authority elects to be secured thereby.

The Reserve Fund does not secure the Series 2003-A Bonds or the Series 2003-B Bonds. Pursuant to the Fourth Supplemental Indenture dated as of October 1, 2003, and the Fifth Supplemental Indenture, dated October 1, 2003, each between the Authority and the Trustee, a special trust fund called the "Birmingham Airport Authority 2003 Debt Service Reserve Fund" (the "2003 Reserve Fund") was created as security for the Series 2003-A Bonds and the Series 2003-B Bonds. The 2003 Reserve Fund does not secure the Series 2010 Bonds or any Bonds heretofore issued under the Indenture other than the Series 2003-A Bonds and the Series 2003-B Bonds.

The Authority is required to maintain the Reserve Fund in an amount equal to lesser of (A) 125 percent of the Average Annual Debt Service on all Bonds at the time outstanding and secured by the Reserve Fund, (B) the Maximum Annual Debt Service on all Bonds at the time outstanding and secured by the Reserve Fund, or (C) an amount equal to the aggregate of 10 percent of the original principal amount (or, in the case of any series of Bonds sold with original issue discount in an amount greater than 2 percent of its original principal amount, the issue price) of each series of Bonds at the time secured by the Reserve Fund (the "Reserve Fund Requirement"). In connection with the issuance of the Series 2010 Bonds the Authority shall cause to be added to the Reserve Fund an amount equal to the difference obtained by subtracting (a) the Reserve Fund Requirement with respect to the Bonds outstanding immediately prior to the issuance of the Series 2010 Bonds from (b) the Reserve Fund Requirement with respect to the Bonds outstanding immediately following the issuance of the Series 2010 Bonds (provided, however, that the amount of monies to be added to the Reserve Fund shall not exceed the maximum amount then permitted under Section 148 of the Code and the applicable regulations thereunder in order for the Reserve Fund to continue to be a reasonably required reserve fund for purposes of said Section 148).

As provided in the Indenture, such addition of monies into the Reserve Fund may be effected through any of the following methods: (i) a single deposit into the Reserve Fund out of proceeds of the Series 2010 Bonds; (ii) a

series of sixty (60) equal monthly deposits to the Reserve Fund out of the monies remaining in the Revenue Fund after compliance with the then applicable provisions of Section 10.1 and section 10.2 of the Indenture, such deposits to be made on or before the last day of the calendar month next succeeding the month during which the Series 2010 Bonds are issued and on or before the last day of each of the next succeeding fifty-nine (59) calendar months, or (iii) any series of deposits to the Reserve Fund out of the monies remaining in the Revenue Fund after compliance with the then applicable provisions of Section 10.1 and Section 10.2 of the Indenture that will result in the monies required to be added to the Reserve Fund being accumulated at a faster rate than the series of deposits described in the foregoing clause (ii) of this paragraph.

The monies forming a part of the Reserve Fund shall be transferred to the Bond Fund for payment of the principal of and interest on the Bonds secured thereby (including the Series 2010 Bonds), but only when the monies on deposit in the Bond Fund shall not be sufficient to pay a maturing installment of such principal or interest and only for payment of any such principal or interest so maturing as to which there would otherwise be a default. Whenever any of the monies forming a part of the Reserve Fund shall be so transferred to the Bond Fund, the Authority shall thereafter pay into the Reserve Fund, on or before the last day of each successive month, beginning with the month during which the transfer from the Reserve Fund to the Bond Fund was made and continuing until the sum transferred shall have been restored, all monies remaining in the Revenue Fund after compliance with the then applicable provisions of the Indenture requiring payment from the Revenue Fund for (i) Current Expenses, (ii) debt service on outstanding Bonds, and (iii) retention for future expenses (as described below under "Application of Revenues" in this section); provided, however, such payments into the Reserve Fund shall be made on a pro rata basis with any similar payments required to be made into the 2003 Reserve Fund.

If at any time the total amount in the Reserve Fund exceeds the then applicable Reserve Fund Requirement, the Trustee shall transfer the amount in excess of such Reserve Fund Requirement to the Bond Fund.

Rate Covenant

The Indenture contains a covenant from the Authority to fix, charge and collect rates, fees, rentals and charges for use of the Airport Facilities, revising same whenever necessary or appropriate, in order to accomplish three separate tests. See "RATE COVENANT TESTS" herein for a description of such covenant and certain related information.

Application of Revenues – Flow of Funds

The Indenture requires that all Revenues of the Authority be deposited, daily, in the Revenue Fund established pursuant to the Indenture. The Indenture also establishes certain other funds and accounts, some of which are to be held under the control of the Trustee and some of which are to be held under the control of the Authority. The funds and accounts controlled by the Trustee are the Bond Fund, the Reserve Fund, the Series 2003 Reserve Fund, the 2010 Construction Fund and the 2010 Issuance Expense Account. The funds and accounts controlled by the Authority are the Revenue Fund, the Subordinate Debt Fund and the Capital Improvement Fund; provided, however, amounts on deposit in the Capital Improvement Fund are held by the Authority free and clear of any lien or encumbrance created by the Indenture. The Authority also controls the PFC Account, although amounts on deposit therein are not considered or deemed "Revenues" or "Net Revenues" under the Indenture.

On or before the last day of each calendar month, monies on deposit in the Revenue Fund to the extent available shall be applied by the Authority for the following purposes and in the following order:

- (1) payment of all Current Expenses then due and incurred in the then current month or any preceding month,
- (2) payment into the Bond Fund Primary Account of amounts sufficient to provide for the payment when due of the principal of and interest on the Bonds; *provided, however,* there shall be credited against amounts to be paid into the Bond Fund Primary Account from the Revenue Fund (i) for the payment of interest on the Series 2010 Bonds, any monies from the Series 2010 Capitalized Interest Account that are to be paid into the Bond Fund Primary Account for that purpose at the times described below, and (ii) for the payment

of principal of, or interest on, the Series 2010 Bonds, any monies from the PFC Account that are paid into the Bond Fund Primary Account for that purpose at the times described below,

(3) retention of an amount equal to one-sixth of the total Current Expenses budgeted for the current Fiscal Year of the Authority; provided that such retention shall not be required in the event that the Authority has obtained a line of credit or other credit facility in an amount sufficient to provide for the payment of such amount of Current Expenses,

(4) payment into the Reserve Fund of an amount equal to the sum required to maintain the Reserve Fund Requirement in said Fund,

(5) payment into the Subordinate Debt Fund of an amount equal to the debt service on any Subordinate Debt becoming due and payable during the next succeeding calendar month, and

(6) on the last day of the Authority's Fiscal Year, payment into the Capital Improvement Fund of all monies remaining in the Revenue Fund after all required payments under the Indenture have been made.

Pursuant to the Seventh Supplemental Indenture, a new account was created within the Bond Fund, namely the Series 2010 Capitalized Interest Account. Monies in the Series 2010 Capitalized Interest Account shall be used and applied for the payment of interest on a portion of the Series 2010 Bonds through December 22, 2013.

As set forth under "Commitment of Certain PFC Monies – PFC Account" herein, the Authority has irrevocably committed in the Seventh Supplemental Indenture to withdraw from the PFC Account, on a monthly basis, PFC Monies for transfer to the Trustee and deposit in the Bond Fund Primary Account. All PFC Monies so transferred from the PFC Account to the Trustee and deposited into the Bond Fund Primary Account shall be used solely for the payment of principal of, and interest on, the Series 2010 Bonds.

Additional Bonds

Subject to the provisions of the Indenture, the Authority may issue one or more series of Bonds secured by the Net Revenues on a parity with the Series 2010 Bonds and the Outstanding Parity Bonds if:

(1) Prior to issuance, (A) a certificate of an Independent Accountant is delivered to the Trustee certifying that, taking into account all outstanding Bonds, but not the Additional Bonds then proposed to be issued, for the most recently completed Fiscal Year for which audited financial statements are then available, the requirements of the Rate Covenant were satisfied; and (B) a report of an Airport Consultant is delivered to the Trustee to the effect that taking the proposed Additional Bonds into account, the requirements of the Rate Covenant will be projected to be satisfied for (I) in the case of Additional Bonds to finance Additional Facilities (a) the earlier to conclude of (i) each of the first three full Fiscal Years succeeding the date on which such Additional Facilities are expected to be completed and in operation, or (ii) each of the first three full Fiscal Years with respect to which full provision for capitalized interest has not been made from the proceeds of the proposed Additional Bonds, or (b) each of the first five Fiscal Years succeeding the date on which such Additional Bonds are to be issued, whichever period is concluded later, or (II) in the case of Additional Bonds not financing Additional Facilities, each of the first five Fiscal Years succeeding the date on which such Additional Bonds are issued.

(2) Notwithstanding the provisions of paragraph (1) above, Completion Bonds may be issued without satisfaction of an earnings test if the principal amount thereof does not exceed 15 percent of the principal amount of the Bonds originally issued to finance the acquisition, construction or equipment of the facilities for the completion of which such Completion Bonds are to be issued, and may be issued in excess of 15 percent of such principal amount, but only if any of the tests set forth in (1) above are met.

(3) Additional Bonds may be issued, without satisfying the tests set forth in the foregoing paragraph (1), for the purpose of refunding all or any part of the outstanding Bonds if the Annual Debt Service payable in each Fiscal Year with respect to all Bonds that will be outstanding after the issuance of such Additional Bonds will not be greater than the Annual Debt Service in such Fiscal Year with respect to all Bonds that were outstanding immediately prior to the issuance of such Additional Bonds.

The Series 2010 Bonds are being issued as Additional Bonds pursuant to paragraph (1) above. The Trustee will receive a certificate of an Independent Accountant respecting the issuance of the Series 2010 Bonds prior to the date of initial issuance and delivery thereof. The Feasibility Report attached hereto as APPENDIX H is the report of the Airport Consultant required by paragraph (1) above.

After giving effect to the issuance of the Series 2010 Bonds, the following bonds will be outstanding under the Indenture and will be secured by a lien on the Net Revenues on a parity basis:

(1) The Series 2010 Bonds being issued pursuant to this Offering Memorandum in the aggregate principal amount of \$151,705,000;

(2) the Authority's \$20,820,000 initial principal amount Airport Revenue Refunding Bonds, Series 2003-A (non-AMT) dated October 22, 2003, presently outstanding in the aggregate principal amount of \$20,820,000;

(3) the Authority's \$17,875,000 initial principal amount Airport Revenue Refunding Bonds, Series 2003-B (AMT) dated October 1, 2003, presently outstanding in the aggregate principal amount of \$6,835,000; and

(4) the Authority's \$44,635,000 initial principal amount Airport Revenue Refunding Bonds, Series 2007 (AMT) dated July 11, 2007, presently outstanding in the aggregate principal amount of \$38,430,000.

For a summary of the projected debt service due on the Outstanding Parity Bonds and the Series 2010 Bonds, see "DEBT SERVICE REQUIREMENTS" herein.

Special Purpose Facility Bonds

The Indenture provides that the Authority may finance Special Purpose Facilities at the Airport so long as, among other conditions contained in the Indenture, (i) such financing is not, directly or indirectly, secured by or payable from Revenues or issued under or secured by the provisions of the Indenture and that such financing does not conflict with or constitute on the part of the Authority a breach of or default under any of the conditions or provisions of the Indenture; and (ii) such Special Purpose Facilities are not constructed or leased for use or occupation at the Airport Facilities under contracts which would provide services, facilities or supplies whenever such services, facilities or supplies may be adequately and efficiently made available to the users of the Airport Facilities through the then-existing improvements at the Airport Facilities, the Revenues from which improvements are required under the Indenture to be deposited in the Revenue Fund. Currently there are no Special Purpose Facility Bonds issued and outstanding by the Authority.

Other Additional Indebtedness

The Authority may incur Working Capital Indebtedness without satisfying the above-stated conditions, if immediately after the incurrence of such indebtedness, the aggregate principal amount of all outstanding Working Capital Indebtedness does not exceed 10 percent of Total Operating Revenues for the then most recently completed Fiscal Year for which audited financial statements are available; provided, however, that for a period of at least twenty consecutive calendar days in each Fiscal Year no such Working Capital Indebtedness shall be outstanding.

The Authority may incur Subordinate Debt provided that no indebtedness shall be issued or incurred which will have a lien on Net Revenues prior to the lien established by the Indenture.

DEBT SERVICE REQUIREMENTS

General

The following table provides the projected debt service requirements for the Outstanding Parity Bonds and the Series 2010 Bonds:

<u>Bond Year Ending July 1</u>	<u>Outstanding Parity Bonds</u>	Series 2010 Bonds			<u>Grand Total Debt Service</u>
		<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2011	\$7,202,687.50	\$ 500,000.00	\$4,207,317.19	\$4,707,317.19	\$11,910,004.69
2012	7,204,500.00	1,210,000.00	7,998,937.50	9,208,937.50	16,413,437.50
2013	7,208,000.00	1,245,000.00	7,962,637.50	9,207,637.50	16,415,637.50
2014	7,204,850.00	1,280,000.00	7,925,287.50	9,205,287.50	16,410,137.50
2015	7,234,812.50	1,330,000.00	7,874,087.50	9,204,087.50	16,438,900.00
2016	7,248,812.50	1,385,000.00	7,820,887.50	9,205,887.50	16,454,700.00
2017	7,296,912.50	1,440,000.00	7,765,487.50	9,205,487.50	16,502,400.00
2018	7,312,062.50	1,515,000.00	7,693,487.50	9,208,487.50	16,520,550.00
2019	7,355,162.50	1,565,000.00	7,640,462.50	9,205,462.50	16,560,625.00
2020	7,389,462.50	1,645,000.00	7,562,212.50	9,207,212.50	16,596,675.00
2021	3,595,337.50	5,510,000.00	7,479,962.50	12,989,962.50	16,585,300.00
2022	3,616,700.00	5,815,000.00	7,149,362.50	12,964,362.50	16,581,062.50
2023	3,632,212.50	6,155,000.00	6,800,462.50	12,955,462.50	16,587,675.00
2024	2,005,075.00	8,145,000.00	6,431,162.50	14,576,162.50	16,581,237.50
2025	2,004,775.00	8,555,000.00	6,023,912.50	14,578,912.50	16,583,687.50
2026	1,999,750.00	8,985,000.00	5,596,162.50	14,581,162.50	16,580,912.50
2027		11,455,000.00	5,124,450.00	16,579,450.00	16,579,450.00
2028		12,065,000.00	4,523,062.50	16,588,062.50	16,588,062.50
2029		12,695,000.00	3,889,650.00	16,584,650.00	16,584,650.00
2030		13,355,000.00	3,223,162.50	16,578,162.50	16,578,162.50
2031		11,075,000.00	2,522,025.00	13,597,025.00	13,597,025.00
2032		3,090,000.00	1,912,900.00	5,002,900.00	5,002,900.00
2033		3,260,000.00	1,742,950.00	5,002,950.00	5,002,950.00
2034		3,440,000.00	1,563,650.00	5,003,650.00	5,003,650.00
2035		3,630,000.00	1,374,450.00	5,004,450.00	5,004,450.00
2036		3,825,000.00	1,174,800.00	4,999,800.00	4,999,800.00
2037		4,040,000.00	964,425.00	5,004,425.00	5,004,425.00
2038		4,260,000.00	742,225.00	5,002,225.00	5,002,225.00
2039		4,495,000.00	507,925.00	5,002,925.00	5,002,925.00
2040		4,740,000.00	260,700.00	5,000,700.00	5,000,700.00

BOND INSURANCE

Bond Insurance

Concurrently with the issuance of the Series 2010 Bonds, Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.) ("AGM") will issue its Municipal Bond Insurance Policy (the "Policy") for the Series 2010 Bonds maturing on July 1 of the years 2014 through 2040, inclusive (the "Insured Series 2010 Bonds"). The Policy guarantees the scheduled payment of principal of and interest on the Insured Series 2010 Bonds when due as set forth in the form of the Policy included as an exhibit to this Offering Memorandum.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)

AGM is a New York domiciled financial guaranty insurance company and a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. ("Holdings"). Holdings is an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and global public finance, infrastructure and structured finance markets. No shareholder of AGL, Holdings or AGM is liable for the obligations of AGM.

Effective November 9, 2009, Financial Security Assurance Inc. changed its name to Assured Guaranty Municipal Corp.

AGM's financial strength is rated "AA+" (stable outlook) by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") and "Aa3" (negative outlook) by Moody's Investors Service, Inc. ("Moody's"). On February 24, 2010, Fitch, Inc. ("Fitch"), at the request of AGL, withdrew its "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of any security guaranteed by AGM. AGM does not guarantee the market price of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 25, 2010, S&P published a Research Update in which it downgraded AGM's counterparty credit and financial strength rating from "AAA" (negative outlook) to "AA+" (stable outlook). Reference is made to the Research Update, a copy of which is available at www.standardandpoors.com, for the complete text of S&P's comments.

In a press release dated February 24, 2010, Fitch announced that, at the request of AGL, it had withdrawn the "AA" (Negative Outlook) insurer financial strength rating of AGM at the then current rating level. Reference is made to the press release, a copy of which is available at www.fitchratings.com, for the complete text of Fitch's comments.

On December 18, 2009, Moody's issued a press release stating that it had affirmed the "Aa3" insurance financial strength rating of AGM, with a negative outlook. Reference is made to the press release, a copy of which is available at www.moody's.com, for the complete text of Moody's comments.

There can be no assurance as to any further ratings action that Moody's or S&P may take with respect to AGM.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2009, which was filed by AGL with the Securities and Exchange Commission (the "SEC") on March 1, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, which was filed by AGL with the SEC on May 10, 2010, AGL's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010, which was filed by AGL with the SEC on August 9, 2010, and AGL's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010, which was filed by AGL with the SEC on November 9, 2010.

Capitalization of AGM

At September 30, 2010, AGM's consolidated policyholders' surplus and contingency reserves were approximately \$2,512,828,657 and its total net unearned premium reserve was approximately \$2,305,542,616, in each case, in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AGM are incorporated by reference into this Offering Memorandum and shall be deemed to be a part hereof:

- (i) The Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (which was filed by AGL with the SEC on March 1, 2010);
- (ii) The Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010 (which was filed by AGL with the SEC on May 10, 2010);
- (iii) The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2010 (which was filed by AGL with the SEC on August 9, 2010); and
- (iv) The Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2010 (which was filed by AGL with the SEC on November 9, 2010).

All information relating to AGM included in, or as exhibits to, documents filed by AGL pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Offering Memorandum and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.): 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 826-0100).

Any information regarding AGM included herein under the caption "BOND INSURANCE – Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.)" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Offering Memorandum, except as so modified or superseded.

AGM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Offering Memorandum or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE".

THE AUTHORITY

The Authority is a public corporation organized under the provisions of Article 2, Chapter 3, Title 4 of the Code of Alabama 1975, as amended (the "Enabling Law") on June 6, 1986, by filing its Certificate of Incorporation in the Office of the Judge of Probate of Jefferson County, Alabama, said Certificate of Incorporation being therein recorded in Real Volume 2921, pages 450 *et seq.*

Composition of the Authority

The Authority is governed by a Board of Directors consisting of seven voting members, along with the Mayor of the City of Birmingham, Alabama (the "City") who serves as a non-voting ex-officio member. The voting members of the Board of Directors are nominated by the Mayor of the City and approved by the City Council for staggered six-year terms. The Board of Directors appoints the President and CEO of the Authority to serve as chief operating officer of the Authority.

The members of the Board of Directors of the Authority are as follows:

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
Gaynell Hendricks	Board Chairwoman	July 29, 2012
Steven W. Hoyt*	Vice Chairman	July 29, 2010
Jeaniece Allen	Member	July 29, 2014
David W. Wood, II	Member	July 29, 2014
John E. Burks	Member	July 29, 2012
Ruffner Page	Member	July 29, 2012
Michael H. Bell	Member	July 29, 2012
William A. Bell, Sr., Mayor	Ex Officio Member	N/A

*Currently serving as a holdover director

THE AIRPORT

The Airport is located within the city limits of the City and within Jefferson County, Alabama. A substantial amount of air passengers at the Airport are residents or visitors of Jefferson County, Alabama. The Airport is classified as a small hub by the FAA, meaning it accounts for between 0.05% and 0.25% of total U.S. passenger enplanements. There were 1,454,650 passenger enplanements at the Airport in fiscal year 2010. Based on calendar year 2009 data, the Airport Council International – North America ranked the Airport 79th in the nation in terms of total passengers, 98th in the nation in terms of total aircraft operations and 91st in the nation in terms of total air cargo. See "AIR TRAFFIC – Enplaned Passengers at the Airport" and the Feasibility Report attached hereto as APPENDIX H for more information about the Airport's historic and projected enplanements.

The Airport opened on May 31, 1931 and changed its name to the Birmingham-Shuttlesworth International Airport on July 16, 2009 to recognize Reverend Fred Shuttlesworth, a civil rights leader in Birmingham. The Airport is the largest commercial service airport in the State of Alabama.

Management of the Airport

The Airport is owned by the City. Pursuant to a Lease, Assignment and Operating Agreement dated September 16, 1986, as amended by an Amendment to Lease, Assignment and Operating Agreement dated October 1, 2009 (as amended from time to time, the "City Lease"), the City transferred to the Authority custody, control and management of the Airport for a term that currently expires on September 15, 2045, subject to certain conditions contained in the City Lease. The Authority operates the Airport for the accommodation of air commerce and transportation. See "City Lease" below in this section.

Description of the Airport Facilities

The Airport is located four miles northeast of downtown Birmingham in Jefferson County, Alabama within the city limits of the City. It occupies approximately 2,600 acres of land, of which approximately 300 acres have not yet been developed.

Terminal Facilities. The terminal complex is located within the open V of the Airport's two runways. The complex consists of the main passenger terminal building (the "Terminal") and Terminal A. Certain capital improvements and equipment will be constructed and acquired within the Terminal as part of the Capital Improvement Plan as described in more detail in this Offering Memorandum under "CAPITAL IMPROVEMENT PLAN".

The Terminal follows a semi-circular layout with two linear piers (Concourses B and C). Currently the Terminal consists of 244,000 square feet, of which approximately 48 percent has revenue-producing potential. After completion of the Capital Improvement Plan, the Terminal is expected to consist of 424,000 square feet, of which approximately 46 percent is expected to have revenue producing potential.

Concourses B and C collectively provide 19 second-level aircraft gate positions: 15 second-level boarding positions for air carrier aircraft, 2 ground-level boarding positions, and 2 expansion gates (which can be equipped with loading bridges). The improvements completed as part of the Capital Improvement Plan will not increase or decrease the number of aircraft gate positions at the Airport. Utilization of the Airport's aircraft gates by concourse and airline (including codeshares) is as follows:

<u>Concourse B</u>		<u>Concourse C</u>	
<u>Airline</u>	<u>Gates</u>	<u>Airline</u>	<u>Gates</u>
US Airways	2	Delta	4
Continental	1	Southwest	3
American	1	United Express	2

Terminal A is adjacent to the Terminal. Terminal A, which consists of approximately 50,000 square feet, has been converted from a passenger facility to a general purpose facility used principally for small package processing, and administrative offices.

Parking Facilities. Public parking is available in a seven-level central garage (the "Parking Facility") located across the terminal access roadway from the Terminal. The Parking Facility currently contains 4,756 long-term public parking spaces, 347 short-term spaces and 349 ready-return spaces for rental cars, for a total of 5,452 spaces. In addition to the Parking Facility, there is a remote lot located on Airline Drive near the Terminal that contains 773 spaces for both short-term and long-term parking. Certain improvements to the Parking Facility will be completed as part of the Capital Improvement Plan as described in more detail herein under "CAPITAL IMPROVEMENT PLAN". The Authority does not expect to increase or decrease the number of available public parking spaces in the Parking Facility as a result of the improvements contemplated in the Capital Improvement Plan.

Ground Access. Birmingham is the nexus for three interstate highways: (a) I-65 between Huntsville-Decatur to the north and Montgomery to the south; (b) I-59 from Gadsden in the northeast; and (c) I-20 from Anniston in the east which merge in Birmingham as I-20/59 serving Tuscaloosa to the southwest. Messer-Airport Highway, which provides access to the Airport from the east, is directly accessible via I-20/59.

Airfield Facilities. The runway system is comprised of two runways, 6/24 and 18/36, arranged in an open V configuration. Runway 6/24, an air carrier runway, is 12,000 feet long and 150 feet wide and equipped with instrument landing systems for arrivals. Runway 18/36, an air carrier runway, is 7,100 feet long and 150 feet wide. Certain improvements to the runway system will be completed as part of the Capital Improvement Plan as more particularly described herein under the section entitled "CAPITAL IMPROVEMENT PLAN".

Other Facilities. The Alabama Aircraft Industries, Inc. aircraft maintenance complex, comprised of 12 maintenance hangars with associated aircraft parking aprons and taxiways, leases approximately 200 acres on the southwest side of the Airport adjacent to the Messer-Airport Highway.

The Authority has two air cargo buildings. One air cargo building contains approximately 50,000 square feet and is located adjacent to Terminal A. The other contains approximately 44,000 square feet of space, and is located just south of Runway 6/24.

A fixed based operator ("FBO"), Atlantic Aviation, serves general aviation and executive aircraft operators at the Airport. There are presently 21 parcels being leased from the Authority for executive hangar facilities; these facilities are located east of runway 18/36 and north of runway 6/24, near the FBOs. The potential exists for 4 additional sites for executive hangars.

Five of the six rental car companies operating on the Airport lease land for automobile service facilities located on the southeast side of the Airport.

The Alabama Air National Guard operates on the north side of runway 6/24 from facilities occupying approximately 50 acres of land.

In addition to the foregoing, there are various other facilities located at the Airport, including, among others, an Authority maintenance building, an FAA tower and an FAA flight service station.

City Lease

The Airport is owned by the City and is operated by the Authority pursuant to the City Lease. The City Lease transferred to the Authority "all airport properties and functions and all outstanding obligations of the City with respect thereto". Pursuant to the City Lease, all real property acquired by the Authority is conveyed to the City and becomes automatically subject to the terms and conditions of the City Lease.

The City Lease provides that the Authority's annual operating budget, its five-year capital improvement budget and any changes to these budgets must be submitted to the Mayor of the City and the City Council for approval. As has been widely reported in the press, the City Council and the Authority have differed over certain aspects of the relationship between the City Council and the Authority. The President of the City Council of the City recently objected to the Authority's historical practice of submitting its annual operating budget and five-year capital improvement budget only to the Mayor and to the City Council representative serving on the Authority's Board of Directors. In response to concerns regarding submission of the Authority's annual budget and five-year capital improvement budget, on September 17, 2010, the Authority submitted copies of its fiscal year 2010-2011 operating budget and its most recent five-year capital plan for its annual operating budget to each member of the City Council of the City. The Authority intends in the future to submit all such documents to the Mayor and to each member of the City Council of the City for approval as required under the City Lease and in the Indenture.

The selection and appointment of parties to any personal service contracts in connection with capital projects at the Airport must be approved jointly by the Mayor and the Authority. Pursuant to the City Lease, the Authority is required to maintain financial records in accordance with generally accepted accounting principles and practices and is subject to an independent audit at any time at the discretion of the City. The Authority's most recent audited financial statements are attached to this Offering Memorandum as APPENDIX B – "AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2010".

Upon any "event of default" under the City Lease, the City has the right to terminate the City Lease upon sixty (60) days prior written notice. The City Lease defines an "event of default" as (a) the failure of the Authority to pay any rent or other sum required to be paid by the Authority to the City under the City Lease at the time specified and the continuation of such failure for a period of thirty (30) days after written notice of such failure is received by the Authority; or (b) failure by the Authority to observe and perform any covenant, condition or agreement under the City Lease other than described under the preceding clause (a) for a period of thirty (30) days after receipt by the Authority of written notice from the City specifying such failure and requesting that it be remedied; provided that there is no "event of default" if, within thirty (30) days after the date of receipt by the Authority of such written notice of default, the Authority institutes steps to effectuate compliance with the City

Lease and proceeds diligently and continuously to affect such compliance until the same be completed within not more than six (6) months. Furthermore, no "event of default" shall occur under the foregoing clause (b) if by reason of force majeure the Authority is unable in whole or in part to carry out its agreements contained in the City Lease; "force majeure" under the City Lease includes, without limitation, Acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the Government of the United States or the State of Alabama or any of their departments, agencies or officials, or any civil or military authority; insurrections; riots; epidemics; earthquakes; fire; storms; floods; restraint by government or people; civil disturbance; or any other cause or event, similar or dissimilar to the forgoing, not reasonably within the control of the Authority.

Upon the termination of the City Lease, all personal property, tangible and intangible, funds, assets, accounts and liabilities of the Authority automatically reverts to and becomes property of the City.

On June 1, 1990, the City Lease was amended, and the Authority's financial obligation under the lease was subordinated to any pledge or mortgage by the Authority of its revenues to secure any indebtedness. Pursuant to the City Lease, the Authority pays the sum of \$10.00 as annual rent to the City.

On October 1, 2009, the City Lease was further amended to extend the original fifty (50) year term of the City Lease from September 16, 2036 until September 15, 2045.

CAPITAL IMPROVEMENT PLAN

The Authority has developed a multi-year Capital Improvement Plan (the "Capital Improvement Plan") encompassing various improvements and equipment to be constructed and acquired at the Airport. The Capital Improvement Plan is designed to provide critical capital improvements and equipment and to preserve existing capital assets of the Airport. The components of the Capital Improvement Plan include, generally, (i) terminal complex improvements, (ii) airfield improvements, (iii) parking facility improvements and (iv) other general capital improvements, all as more particularly described below. See APPENDIX H – "FEASIBILITY REPORT FROM AIRPORT CONSULTANT" – page II-2, Table II-1 entitled "Total Capital Project Cost Summary Estimated Capital Costs", for a breakdown of estimated costs of the Capital Improvement Plan by fiscal year as to when such costs are estimated to be due and payable.

A description and summary of the sources of funds for payment of the improvements and equipment within the Capital Improvement Plan are set forth in "PLAN OF FINANCE" below. Acquisition and construction of certain improvements within the Capital Improvement Plan, mainly airfield improvements, began during fiscal year 2010. As of September 30, 2010, the Authority had incurred approximately \$76,988,000 of acquisition/construction costs relating to the \$369,195,808 Capital Improvement Plan. The Authority anticipates completing the Capital Improvement Plan improvements in phases, with final completion occurring on or about December, 2014.

Airport Complex Improvements and the Terminal Modernization Program

The Airport's Terminal, which was constructed in 1973, has not undergone a major renovation in approximately 20 years, and the building systems and exterior skin have failed in many areas. The "Birmingham International Airport Terminal Modernization Program Criteria Document" dated February 2006 (the "TMP Document") reported the results of a thorough inspection and needs assessment of the Airport's Terminal. The TMP Document identified various fundamental problems with the Terminal, including: (1) the roof no longer adequately protects the building from the external environment; (2) the exterior walls leak and are inadequately insulated; (3) the primary building systems (electrical, mechanical, and fire protection) are at the end of their useful lives and in many cases no longer meet current codes; (4) major components of the existing central plant need to be replaced; and (5) the functional layout of the building is not conducive to the current needs of airline operations, passenger screening, concessions operations, baggage screening and other functions.

The Authority decided in 2008 to develop a terminal modernization program (the "TMP") pursuant to which the Authority would undertake a major renovation of the Authority's Terminal. The improvements and equipment included within the TMP are part of the improvements and equipment to be constructed and acquired pursuant to the Authority's multi-year Capital Improvement Plan. The TMP involves the complete modernization and expansion of the Airport's Terminal, including the concourses, and the replacement and upgrading of critical

utilities. The project will expand the size of the Terminal from 244,000 square feet to 424,000 square feet, and will result in a reconstructed facility with new interior spaces. The TMP will not increase the number of aircraft gate positions at the Airport. The Terminal improvements contemplated by the TMP are estimated to cost approximately \$201,600,000 and include, without limitation, the following (collectively, the "TMP Improvements"):

- Security projects, including the construction of new passenger screening lanes utilizing the most current equipment, a new access control system, a new alarm system, new security equipment; construction of a secured loading dock; security enhancements to the elevators, and improved roadway barriers.
- Improvements to baggage screening devices and baggage make-up, including a new, integrated outbound baggage handling system which will eliminate the need to have baggage screening units in the ticket lobby areas.
- Purchase and installation of 19 new jet bridges.
- Enhancements to the food and retail concession areas, and the relocation of a majority of the food concession areas from pre-security to post-security.
- Improvements to the baggage claim area.
- Upgrades to the central plant and HVAC system.
- Upgrades to improve the energy efficiency of the Terminal, including more efficient lighting; solar water heating; and a rainwater collection and distribution system.
- Construction of a Federal Inspection Service facility.
- Improvements to signage and informational displays.
- New and efficient elevators in the parking deck.
- Construction of a pedestrian ramp from the third level of the parking deck to the Terminal.
- Relocation of tenants from the old cargo building to the new cargo building and demolition of the old cargo building to accommodate the expansion of the Terminal.
- New artwork, including work by local artists.
- Other improvements as identified in the pre-design process.

The Authority anticipates (i) commencing construction of the TMP Improvements in January 2011 and (ii) completing the TMP Improvements on or about April, 2014. As of September 30, 2010, the Authority had incurred approximately \$14,372,000 of development costs related to the TMP Improvements.

Airfield Improvements

The airfield improvements included within the Capital Improvement Program are estimated to cost approximately \$144,000,000 and include, but are not limited to, the following:

- The acquisition of certain land to implement the recommendations of the FAR Part 150 Noise Study Update. This is a multi-year program that is being implemented as FAA funding becomes available.
- The acquisition of certain land adjacent to the current Airport boundaries, which will provide for future air cargo facility development.
- The acquisition of certain other properties left in isolated areas after the noise acquisition phases are completed.

- Rehabilitation of the surface of Runway 6/24. This project will involve the removal of a portion of the asphalt surface, followed by the repaving and sealing of the surface, and the repainting of all markings.
- Rehabilitation of the surface of Runway 18/36. A portion of the asphalt surface will be removed, and the runway will be repaved and sealed, and all markings will be repainted. This project may also include the strengthening of the runway to support aircraft weights equal to those that can be supported by Runway 6/24.
- Other runway projects included in the Capital Improvement Plan are: (a) Runway 18/36 Protection Zone (the "RPZ"), which involves the purchase and removal of 16 homes and one church to clear the RPZ; (b) Runway 18/36 electrical cable and signs, which will include replacing the buried cables that provide electrical service to the runway lighting and signage lighting; (c) Repair Runway 18/36 depression; (d) Runway 18/36 Safety Area (the "RSA") grading, to correct the slope and stream of the RSA to meet the requirements of FAA regulations and Advisory Circulars; (e) Upgrade Runway 6/24 signage to comply with the latest FAA guidelines; and (f) Replacement of Runway 18/36 precision approach path indicator.
- Design and engineering of the relocation of Taxiway A to satisfy separation standards as the distance between Taxiway A and Runway 6/24 does not currently meet separation standards.
- Taxiway A southwest of Runway 18/36 will be evaluated to determine what sections need to be repaired. This project will also include the engineering, design, and performance, of the necessary repairs.
- The airfield improvements include two other taxiway projects: (a) Taxiway A environmental assessment, which is a necessary project before Taxiway A can be relocated to meet separation standards for the distance between Taxiway A and Runway 6/24; and (b) demolition of Taxiway A-6 to eliminate the possibility of runway incursions.
- Planned airfield improvements included in the Capital Improvement Plan will enable the Authority to meet the increased security measures requested by the TSA. The work will include an upgrade of and additions to the CCTV system, installation of an electric gate between the maintenance hangar complex and the secured areas, the installation of a barrier on the access road and the acquisition and demolition of an old school building.
- The infield service road will be extended alongside Taxiways P and A to connect it to the existing road, and service road around Runway 6/24 will be completed to connect it to the existing portion at Taxiway M.
- Other airfield improvement projects included in the Capital Improvement Plan are: (a) completion of an airfield environmental project that will involve the planting of grass and the construction of drainage facilities to control erosion; (b) evaluation, engineering and installation of a perimeter intrusion detection system to detect and respond to unauthorized intrusions into the Airport security perimeter; (c) bring the Grade Runway 6/24 Glideslope into compliance with FAA regulations and Advisory Circulars; (d) removal a section of the surface of the hill at the Northeast end of Runway 6/24; (e) the reconfiguration of the spacing of the runway edge lights at runway/taxiway intersections as required by the FAA; and (f) installation of surface painted runway holding position markings at runway/taxiway intersections as required by the FAA.

The Authority began acquiring and constructing certain airfield improvements during fiscal year 2010. The Authority anticipates completing the airfield improvements on or about December 2014. As of September 30, 2010, the Authority had incurred approximately \$62,616,000 of costs related to the airfield improvements, of which \$57,212,000 were land acquisition costs and \$5,404,000 were development costs.

Parking Facility Improvements

The parking facility improvements that make up a portion of the Capital Improvement Plan are estimated to cost \$11,500,000 and include, but are not limited to, the following:

- Extensive restoration work will be performed on the Parking Facility, including the replacement of worn expansion joints and the strengthening of the concrete in numerous locations throughout the facility.
- The existing hardware, software and equipment in the parking deck revenue control system will be updated and enhanced to improve revenue control, provide enhanced management tools and reduce system errors and down time.

The Authority anticipates (i) commencing construction of the Parking Facility improvements on or about May, 2011 and (ii) completing the Parking Facility improvements on or about November, 2012.

Other Improvements

Other improvements to be completed at the Airport and contemplated as part of the Capital Improvement Plan include, but are not limited to, the following:

- Gradual replacement of worn out vehicles and equipment at the Airport over the duration of the Capital Improvement Plan.
- A new modern facility will be designed and built to service and store all equipment, parts and supplies used to maintain the Authority's buildings and airfield infrastructure.
- Aircraft rescue and firefighting ("ARFF") support is currently provided through a cooperative agreement with the Alabama National Guard, which is stationed at the Airport. This project will provide an ARFF station to enable the Airport to provide ARFF services on its own.
- The Authority plans to update the Airport's master plan to facilitate future planning.

For additional information regarding the various capital improvements and equipment to be constructed and acquired as part of the Capital Improvement Plan see APPENDIX H – "FEASIBILITY REPORT FROM AIRPORT CONSULTANT", including Section II - Capital Improvement Program, hereto.

PLAN OF FINANCE

The Authority anticipates financing the improvements and equipment to be constructed and acquired within the Capital Improvement Plan through a combination of (i) proceeds from the Series 2010 Bonds, (ii) PFC Monies expended on a pay-as-you-go basis (*i.e.*, portions of PFC Monies not used for payment of Series 2010 Bonds), (iii) FAA Airport Improvement Program grants, (iv) TSA grants, (v) Voluntary Airport Low Emissions Program grants ("VALE Grants") and (vi) certain other funds of the Authority, all as follows:

<u>Project</u>	<u>Series 2010 Bonds</u> ⁽¹⁾	<u>PFC pay-as-you-go Funds</u>	<u>FAA AIP Grants</u>	<u>TSA Grants</u>	<u>VALE Grants</u> ⁽³⁾	<u>Authority Funds</u>	<u>Total</u>
Terminal Improvements (TMP)	\$116,075,430	\$15,603,206	\$40,724,516	\$14,303,230	\$8,773,988	\$6,168,781	\$201,649,150
Airfield Improvements							
Land Acquisition		4,400,891	67,339,767			400,000	72,140,658
Runway Improvements			35,200,350			1,852,650	37,053,000
Taxiway Improvements			11,510,200			605,800	12,116,000
Other Airfield Imps.			21,600,150			1,136,850	22,737,000
Parking Improvements	10,000,000 ⁽²⁾					1,500,000	11,115,000
Other Apt. Improvements			7,150,000			4,850,000	12,000,000
TOTAL	\$126,075,430	\$20,004,097	\$183,524,983	\$14,303,230	\$8,773,988	\$16,514,081	\$369,195,808

⁽¹⁾ The Authority anticipates using approximately \$65.5 million of the Series 2010 Bond proceeds to fund the costs of TMP Improvements that qualify as PFC Eligible Projects.

⁽²⁾ \$10,000,000 for parking facility improvements included within "Other Projects" on Table II-2 of Feasibility Report.

⁽³⁾ Approval has not yet been given by the FAA.

The FAA AIP grants aggregating \$183,524,983 and listed in the chart immediately above, which the Authority currently anticipates using to pay the costs of certain improvements within the Capital Improvement Plan (including certain TMP Improvements), are comprised of (i) entitlement funds apportioned by formula to the Authority each year (\$22,337,976); (ii) discretionary funds awarded by the FAA to the Authority based on eligible projects' priority as determined by the FAA through the application of its National Priority System (\$107,762,205); and (iii) FAA noise grants awarded by the FAA for noise mitigation projects, including land acquisitions (\$53,424,802). The capital improvements that the Authority expects to finance with the FAA AIP grants are necessary for the overall Capital Improvement Plan. The Authority received \$49,244,165 of these FAA grants from fiscal year 2007 – fiscal year 2010 and anticipates receiving the remaining FAA grants during fiscal year 2011 – fiscal year 2015. See "REVENUES AND EXPENSES OF THE AUTHORITY AND OTHER FINANCIAL CONSIDERATIONS – Federal Grants-In-Aid" herein for information on received and anticipated FAA grants.

The Authority received a letter dated November 1, 2010 from the FAA confirming the FAA's support of AIP funding for the construction of the proposed terminal apron, terminal building and items required by Title 49 Code of Federal Regulations ("CFR"), Part 1542. However, the FAA discretionary funds and the FAA noise grants expected in fiscal year 2011 – fiscal year 2015 remain subject to approval by the FAA and appropriation by the United States Congress, and no assurance can be made that the Authority will receive such monies. If these FAA discretionary funds and noise grants are not provided to the Authority to fund these improvements, the Authority anticipates (i) funding such improvements by utilizing additional Authority funds (which may or may not be sufficiently available to cover the costs of such improvements) and/or (ii) reducing the scope of one or more projects (or a component of any such project) currently contemplated in the Capital Improvement Plan. See "REVENUES AND EXPENSES OF THE AUTHORITY AND OTHER FINANCIAL CONSIDERATIONS – Federal Grants-In-Aid", "INVESTOR CONSIDERATIONS – Government Grants-in-Aid" and "INVESTOR CONSIDERATIONS – Cost of Improvements and Equipment Within Capital Improvement Plan" for additional information and risks associated with the construction of the capital improvements with FAA discretionary funds and FAA noise grants.

See also APPENDIX H – "FEASIBILITY REPORT FROM AIRPORT CONSULTANT" hereto regarding the use of other revenues of the Airport to fund improvements and equipment within the Capital Improvement Plan if sufficient funds are not otherwise available to the Authority.

As of the date of this Offering Memorandum, the Authority does not have a firm commitment from the FAA for the VALE Grants listed in the chart immediately above, and there is no assurance that such VALE Grants will be approved or otherwise made available to the Authority. The TMP Improvements that the Authority currently expects to finance from VALE Grants are necessary for the TMP Improvements and the overall Capital Improvement Plan. If these VALE Grants are not approved or otherwise made available to the Authority to fund a portion of the TMP Improvements in the amount shown above, the Authority anticipates (i) funding such improvements by utilizing additional Authority funds (which may or may not be sufficiently available to cover the costs of such improvements) and/or (ii) reducing the scope of one or more projects (or a component of any such project) currently contemplated in the Capital Improvement Plan. See "REVENUES AND EXPENSES OF THE AUTHORITY AND OTHER FINANCIAL CONSIDERATIONS – Voluntary Airport Low Emissions Program", "INVESTOR CONSIDERATIONS – Government Grants-in-Aid" and "INVESTOR CONSIDERATIONS – Cost of Improvements and Equipment Within Capital Improvement Plan" for additional information and risks associated with the acquisition and/or construction of capital improvements with VALE Grants. See also APPENDIX H – "FEASIBILITY REPORT FROM AIRPORT CONSULTANT" hereto regarding the use of other revenues of the Airport to fund improvements and equipment within the Capital Improvement Plan if sufficient funds are not otherwise available to the Authority.

2010 Program Manager and Construction Manager at Risk

Pursuant to the Seventh Supplemental Indenture, Gaston Saber Heery has been designated by the Authority as the Program Manager (the "2010 Program Manager") for the capital improvements within the Capital Improvement Plan to be constructed and acquired with proceeds of the Series 2010 Bonds (such improvements shall be referred to herein as the "2010 Bond Improvements"). The 2010 Program Manager is authorized to take the actions provided in the Seventh Supplemental Indenture to be taken by the 2010 Program Manager.

The Authority received a proposed contractual agreement (the "Construction Contract") from Brasfield and Gorrie / Fm, a joint venture (the "Construction Manager at Risk"), pursuant to which the Construction Manager at Risk would manage and construct the TMP Improvements under a guaranteed maximum price. The Construction Contract was approved at the November 22, 2010 meeting of the Board of Directors of the Authority, and was executed by the Authority and the Construction Manager at Risk on November 29, 2010. The improvements to the Parking Facility currently contemplated in the Capital Improvement Plan and described above shall also be completed by the Construction Manager at Risk, but shall be constructed outside of the terms of the Construction Contract. The Authority estimates that the costs of these Parking Facility improvements shall be approximately \$11.5 million, of which \$10.0 million shall be financed with proceeds of the Series 2010 Bonds. See "PLAN OF FINANCE" herein for more information about the sources and uses of funds for the Parking Facility improvements.

REPORT OF THE AIRPORT CONSULTANT

Unison Consulting, Inc. (the "Airport Consultant") prepared the Feasibility Report for the Authority which is attached to this Offering Memorandum as APPENDIX H (the "Feasibility Report").

The Feasibility Report describes key factors and sets forth certain projections that will affect the security and repayment of the Series 2010 Bonds, including, without limitation, future air traffic at the Airport, present airline traffic at the Airport and financial forecasts for the period fiscal year 2011 through fiscal year 2017, and sets forth the assumptions upon which the forecasts are based. The Feasibility Report should be read in its entirety for an understanding of the forecasts and underlying assumptions.

As noted in the Feasibility Report, any forecast is subject to certain uncertainties. Some of the assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, there are likely to be differences between the forecast and the actual results, and those differences may be material. See "INVESTMENT CONSIDERATIONS – Feasibility Report".

The Feasibility Report has been included herein in reliance upon the knowledge and experience of Unison Consulting, Inc., as airport feasibility consultant.

Projected Passenger Enplanements

For a discussion of projections of future growth of passenger traffic at the Airport, see Section IV of the Feasibility Report, which is attached as APPENDIX H to this Offering Memorandum. The Feasibility Report presents three air traffic forecast scenarios (a base scenario, a low scenario and a high scenario) based upon different assumptions regarding the pace of economic recovery in the United States. The base air traffic forecast scenario, which is used in the financial analysis presented in Section IV of the Feasibility Report, estimates that total passenger enplanements at the Airport will increase by an average annual growth rate of 2.5% from fiscal year 2011 through fiscal year 2017. The tables included in this Offering Memorandum below under "AIR TRAFFIC – Enplaned Passengers at the Airport" were prepared by the Airport Consultant based upon information contained in the Feasibility Report regarding historic and projected passenger enplanements at the Airport.

Financial Analysis

For an overall analysis of the financial operation of the Airport, including, without limitation, reviews of recent historical financial performance of the Authority, see Section VI of the Feasibility Report, which is attached as APPENDIX H to this Offering Memorandum

ECONOMIC BASE FOR AIR TRANSPORTATION

The demand for air transportation is significantly related to the demographic and economic characteristics of the air trade area (i.e., the geographical area served by the Airport).

Air Trade Area

The primary air service area of the Airport consists of the Birmingham-Hoover Metropolitan Statistical Area (the "Birmingham-Hoover MSA") which includes Bibb, Blount, Chilton, Jefferson, St. Clair, Shelby and Walker Counties, encompassing a total land area of approximately 5,300 square miles and an estimated population in 2009 of 1,131,070. Jefferson County, which is the geographic center of the Birmingham-Hoover MSA, accounted for 59 percent of the MSA's total population in 2009. The air trade area also includes cities outside the Birmingham-Hoover MSA, where travelers find it more convenient because of travel distance and flight availability to use the Airport, as opposed to the airport facilities of their respective metropolitan area (an "MSA") or city.

The Birmingham-Hoover MSA is located in north central Alabama within 200 miles of Atlanta, Georgia; Nashville, Tennessee; Memphis, Tennessee; and Montgomery, Alabama. For additional information concerning the Birmingham-Hoover MSA, see Appendix A – "CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION" and the Feasibility Report attached hereto as Appendix H.

AIR TRAFFIC

Enplaned Passengers at the Airport

Enplanements at the Airport in fiscal year 2010 were 1,454,650, reflecting an average annual decrease of 1.6 percent from fiscal year 2006 through fiscal year 2010. Additionally, enplanements decreased 1.5 percent between fiscal year 2009 and fiscal year 2010, and decreased by 9.5 percent between fiscal year 2008 and fiscal year 2009, which fiscal years followed an increase of 5.2 percent between fiscal year 2007 and fiscal year 2008. The enplanements at the Airport over the past five years are listed below:

Fiscal Year Ending	Annual	Percentage Change from
<u>June 30</u>	<u>Enplanements</u>	<u>Prior Fiscal Year</u>
2006	1,564,638	3.6%

2007	1,554,213	(0.7)
2008	1,634,409	5.2
2009	1,479,387	(9.5)
2010	1,454,650	(1.5)

The Airport functions in the national air transportation system as a "spoke" to various regional connecting hubs through which on-line connecting service is available throughout the national system. Virtually all nonstop flights are short-haul flights and the majority are to connecting hubs. The Airport Consultant's forecast of enplanements at the Airport through 2017, which forecast is based off of the base air traffic forecast scenario, is included below:

Fiscal Year Ending <u>June 30</u>	Projected Annual <u>Enplanements</u>	Percentage Change from <u>Prior Fiscal Year</u>
2011	1,483,000	1.9%
2012	1,495,000	0.8
2013	1,539,000	2.9
2014	1,583,000	2.9
2015	1,628,000	2.8
2016	1,675,000	2.9
2017	1,725,000	3.0

The Airport Consultant anticipates that scheduled enplanements at the Airport shall increase from 1,454,650 in fiscal year 2010 to 1,483,000 in fiscal year 2011. Enplanements at the Airport in fiscal year 2017 are projected to be 1,725,000, reflecting an average annual growth rate of 2.5% from fiscal year 2010 through fiscal year 2017. See the Feasibility Report attached hereto as APPENDIX H for more information on historic and projected enplanements at the Airport.

Airlines Serving Birmingham

The principal air carrier airlines serving the Airport (and their respective shares of the fiscal year 2010 enplaned passenger market) include (i) Southwest Airlines ("Southwest"), which accounted for 45.2 percent of all enplaned passengers at the Airport, and (ii) Delta Airlines ("Delta"), which, together with its regional affiliates, accounted for 24.0 percent of all enplaned passengers at the Airport. Delta acquired Northwest Airlines ("Northwest") in May, 2007 and completed the integration of the two airlines' operations in January, 2010. The integrated operations of Delta, Northwest and their regional affiliates accounted for 27.5 percent of the Airport's total enplanements during the first three months of fiscal year 2011, while Southwest accounted for 44.3 percent of the Airport's total enplanements during such time period. The enplanement share of Southwest and Delta (including the enplanements of Northwest and their regional affiliates) at the Airport has averaged about 69.2 percent from fiscal year 2006 through fiscal year 2010. The table below shows the air carrier airlines and cargo airlines with activity at the Airport during September, 2010.

**Carriers Reporting Enplaned Passengers and Air Cargo
Birmingham-Shuttlesworth International Airport
(During September, 2010)
U.S.-Flag Airlines (14)**

Passenger Services Scheduled:

American	Chautauqua Airlines (DL)	Mesa Airlines (UN)	Skywest Airlines (UN)
American Eagle (AA)	Comair (DL)	Mesaba Airlines (DL)	Southwest
Air Wisconsin (US)	Delta/Northwest	Pinnacle Airlines (DL)	
Atlantic Southeast Airlines (DL)	Expressjet (CN & UN)	PSA (US)	

All-Cargo Services:

Federal Express	Mountain Air	United Parcel Service
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Source: Birmingham Airport Authority.

Notes: AA = Codeshares with American; CN = Continental; DL = Delta; US = US Airways; UN = United

Passenger Airline Market Shares

Although annual growth in passenger enplanements at the Airport averaged a decrease of 1.6 percent from fiscal year 2006 to fiscal year 2010, there was considerable variation by individual airlines. Airlines showing traffic increases over the five-year period were Southwest (4.3 percent, average annual compounded growth) and US Airways (0.5 percent, average annual compounded growth). Airlines showing a decline at the Airport over the same period were (i) American (1.1 percent), (ii) Continental (8.0 percent), (iii) Delta and Northwest (aggregate 8.8 percent) and (iv) United (0.5 percent).

From fiscal year 2006 to fiscal year 2010, the combined share of passengers enplaned at the Airport by the top three airlines (Southwest, Delta/Northwest and US Airways) increased from 79.7 percent to 81.1 percent. Southwest's share of enplanements at the Airport during that period increased from 35.5 percent to 45.2 percent. Delta and Northwest's aggregate share of enplanements (including Delta and Northwest code-sharing partners) at the Airport during that period fell from 35.8 percent to 26.7 percent. US Airways (including US Airways code-sharing partners) increased its share of enplanements at the Airport during that period from 8.4 percent to 9.2 percent.

The Airport experienced an overall year-over-year decrease in fiscal year 2009 of 155,022 enplaned passengers from fiscal year 2008 (down 9.5 percent) and a decrease in fiscal year 2010 of 24,737 enplaned passengers from fiscal year 2009 (down 1.7 percent). The Airport's enplanement losses in fiscal year 2009 and fiscal year 2010 were in large part the result of a weak air travel demand during the recent U.S. economic recession. The largest losses were incurred during fiscal year 2009 as the U.S. economy slid into deep recession. Economic recovery began at a sluggish pace in the first quarter of fiscal year 2010, accelerated in the second quarter of fiscal year 2010 and then slowed in the third and fourth quarters of fiscal year 2010. These economic trends are reflective of the Airport's enplanement levels during such period, as the Airport realized (i) a smaller year-over-year percentage reduction of enplanements in the first quarter of fiscal year 2010 (-4.5 percent) relative to losses during the preceding four fiscal quarters, (ii) a modest gain during the second quarter of fiscal year 2010 (2.7 percent) and (iii) relatively small enplanement losses in the third and fourth quarters of fiscal year 2010 (-2.2 percent and -2.4 percent, respectively). See the Feasibility Report attached hereto as APPENDIX H for more information on historic and projected enplanements at the Airport.

Market Shares: Total Enplaned Passengers Birmingham-Shuttlesworth International Airport (for years ending June 30; ranked as of 2010)

<u>Rank</u>	<u>Airline</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1	Southwest	556,226	542,860	616,971	623,113	657,778
2	Delta ⁽¹⁾⁽²⁾	439,615	390,005	358,631	304,188	300,702
3	US Airways ⁽¹⁾	130,780	155,830	134,927	118,854	133,575
4	American ⁽¹⁾	115,649	129,955	159,563	115,799	110,699
5	Continental ⁽¹⁾	125,773	129,038	127,168	113,399	90,159
6	Northwest ⁽¹⁾⁽²⁾	120,573	108,490	98,538	109,609	87,171
7	United ⁽¹⁾	76,022	87,994	116,405	94,425	74,566
8	All Others	—	<u>10,041</u>	<u>22,206</u>	—	—
	Total	<u>1,564,638</u>	<u>1,554,213</u>	<u>1,634,409</u>	<u>1,479,387</u>	<u>1,454,650</u>

Percentage Distribution
Birmingham-Shuttlesworth International Airport
(for years ending June 30; ranked as of 2010)

<u>Rank</u>	<u>Airline</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1	Southwest	35.5%	34.9%	37.7%	42.1%	45.2%
2	Delta ⁽¹⁾⁽²⁾	28.1%	25.1%	21.9%	20.6%	20.7%
3	US Airways ⁽¹⁾	8.4%	10.0%	8.3%	8.0%	9.2%
4	American ⁽¹⁾	7.4%	8.4%	9.8%	7.8%	7.6%
5	Continental ⁽¹⁾	8.0%	8.3%	7.8%	7.7%	6.2%
6	Northwest ⁽¹⁾⁽²⁾	7.7%	7.0%	6.0%	7.4%	6.0%
7	United ⁽¹⁾	4.9%	5.7%	7.1%	6.4%	5.1%
8	All Others	<u>0.0%</u>	<u>0.6%</u>	<u>1.4%</u>	<u>0.0%</u>	<u>0.0%</u>
	Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

⁽¹⁾ Includes enplanements from code sharing partners

⁽²⁾ See page IV-32 of Feasibility Report for additional information on Delta/Northwest merger that was completed on October 29, 2008.

Source: Birmingham Airport Authority

Recent Passenger Activity

For the four months ended October 31, 2010, the Airport experienced an increase in enplaned passengers of 17,703 when compared to the same period a year earlier. This equates to a 3.5 percent increase in enplaned passengers for the period. The combined share of passengers enplaned at the Airport by the top three airlines increased to 81.5 percent for the four months ended October 31, 2010, as Southwest's share of enplanements was 44.6 percent, Delta/Northwest's aggregate share of enplanements was 27.4 percent and the same of enplanements for US Airways, Inc. ("US Airways") was 9.5 percent.

Airline Information

Certain airlines operating at the Airport are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended. In accordance therewith, certain information, including financial information, concerning such airlines or their respective parent corporations, is disclosed in certain reports and statements filed with the Securities and Exchange Commission (the "SEC"). Such reports and statements can be inspected at the public reference facilities maintained by the SEC at 450 Fifth Street, NW, Washington, DC 20549 and 500 West Madison Street, Suite 1400, Chicago, Illinois 60661. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, NW, Washington, DC 20549, and at the Commission's regional offices at, among others, Woolworth Building, 233 Broadway, New York, New York 10249, at prescribed rates. The SEC also maintains a website that contains information filed electronically with the SEC, which may be accessed via the Internet at <http://www.sec.gov>. In addition, airlines are required to file periodic reports of financial and operating statistics with the U.S. Department of Transportation. Such reports can be inspected at the following locations: Office of Aviation Information Management, Data Requirements and Public Reports Division; Research and Special Programs Administration, and the Department of Transportation, Room 4201, 400 Seventh Street, SW, Washington, DC 20590. Copies of such reports can be obtained from the Department of Transportation at prescribed rates. The information under this caption is for informational purposes only, is not intended to be incorporated by reference into this Offering Memorandum and will not be subject to update by the Authority. See "CONTINUING DISCLOSURE" herein.

REVENUES AND EXPENSES OF THE AUTHORITY AND OTHER FINANCIAL CONSIDERATIONS

Authority Rate-Making Methodology and Airport Use and Lease Agreements

Prior to December 31, 2005, airlines operated at the Airport under a long-term Airport Use and Lease Agreement that credited the airlines' landing fee requirement with 50 percent of all non-airfield net revenues. From January 1, 2006 until March 1, 2009, the airlines operated without an agreement in place, but were charged rental rates and landing fees based on the methodology contained in the expired agreement. As of March 1, 2009, in the absence of a long-term agreement with the airlines, the Authority transitioned to a policy whereby the terminal rental rate and landing fees are set pursuant to a rate-making methodology communicated to the airlines by the Authority on December 26, 2008. Initially, the Authority was going to make the new rates retroactive to July 1, 2008; however, after engaging in additional discussions with the airlines, the Authority decided to implement the new rate-making methodology effective as of March 1, 2009.

Under this rate-making methodology, the Authority calculates the airlines' landing fees and terminal rental rate pursuant to a cost center model. In determining the landing fee rates associated with the airfield cost center, the Authority (i) subtracts all non-scheduled airline revenue recorded in the airfield cost center (i.e., fuel flowage fees, FBO concession fees and ground handling revenues) from the airfield requirement (i.e., Operating and Maintenance ("O&M") expenses, debt service and amortization charges recorded in the airfield cost center) and (ii) divides such amount by total landed weight of all airlines (including cargo carriers). For the terminal building cost center, the Authority transitioned away from a compensatory approach and moved to a hybrid commercial compensatory rate-making methodology whereby the airline requirements (i.e., O&M expenses, debt service and amortization charges recorded in the terminal building cost center), net of a concessions credit equal to twenty-five percent (25%) of all non-airline revenue recorded in the terminal building cost center, are prorated over rentable space. The Authority anticipates increasing the terminal rental rate and landing fees effective January 1, 2011 (and thereafter on an annual basis) to account for actual expenses and credits included in the rate making methodology therefor and, for purposes of the terminal rental rate, changes in rentable space resulting from the construction and completion of the TMP Improvements. Since March 1, 2009, the airlines have paid a terminal rental rate of \$55.24 per square foot of rentable space. See Section VI of the Feasibility Report for the anticipated increases in terminal rental rates and landing fees that are accounted for in the Airport Consultant's projections of the Authority's Revenues.

The Authority also receives apron rent and remain overnight ("RON") fees from the airlines operating at the Airport. The apron rent is calculated by dividing current expenses allocated to the apron cost center by the total square footage of the apron. The Authority began charging RON fees in fiscal year 2008 at a rate of \$85 per gate per night. See Section VI of the Feasibility Report for the anticipated increases in apron rental rates that are included within the Airport Consultant's projections of the Authority's Revenues.

The Authority and the airlines operating at the Airport have commenced discussions regarding the execution of new long-term Airport Use and Lease Agreements that would, among other things, establish the rates and fees payable by the airlines and certain other matters regarding the use and operation of the Airport. These discussions are still ongoing and the Authority makes no representation that any definitive agreement will be reached. Prospective purchasers of the Series 2010 Bonds should assume that no such agreements will be reached when examining the suitability of investing in the Series 2010 Bonds. Until these Airport Use and Lease Agreements are finalized and executed, the airlines will continue to pay landing fees, terminal rental rates and apron rental rates in accordance with the rate-making methodologies described above. The financial projections presented in the Feasibility Report assume that the current rate-making methodology shall remain in effect throughout the forecast period (fiscal year 2011 – fiscal year 2017) but that the annual rates will adjust to reflect increases in expenses, credits and rentable space. See the Feasibility Report attached as APPENDIX H for more information regarding the Airport Consultant's projections (and the assumptions taken by the Airport Consultant to develop those projections).

Revenues of the Authority

The Revenues of the Authority are derived principally from rates, fees and charges assessed against the airlines operating at the Airport; the operation of public parking facilities (including, without limitation, the Parking Facility); and fees assessed operators under concession agreements. The Authority has covenanted in the Indenture that, among other things, it will establish and maintain rates charges, and fees for the use of the Airport sufficient to

meet its obligations under the Rate Covenant. Revenues (net of transfers from the Capital Improvement Fund in fiscal year 2010) increased from \$29,445,547 in fiscal year 2006 to \$34,991,884 in fiscal year 2010; this increase represents an average annual growth rate of 4.4 percent. See "Appendix C – Summary of Certain Provisions of the Indenture" for the definition of "Revenues" in the Indenture.

Airline Revenues

In fiscal year 2010, the three largest airlines operating at the Airport, Southwest, Delta (aggregated with Northwest as a result of the merger) and US Airways, enplaned 45.2 percent, 26.7 percent and 9.2 percent, respectively, of the passengers at the Airport. Collectively, these three airlines encompassed 81.1 percent of the enplaned passenger market share at the Airport. Enplanement shares among the top three airlines have increased from 79.7 percent in fiscal year 2006 to 81.1 percent in fiscal year 2010. The combined landing fees, apron rentals, RON fees, and terminal rentals paid by these three airlines accounted for 19.5 percent of the Authority's fiscal year 2010 Revenues (net of transfers from the Capital Improvement Fund in fiscal year 2010). The equivalent payments for all airlines, including the three largest and the air cargo carriers, totaled approximately \$10.5 million in fiscal year 2010, which was 29.1 percent of the Authority's fiscal year 2010 Revenues (net of transfers from the Capital Improvement Fund in fiscal year 2010).

Revenues from the passenger airlines increased from \$6,307,209 in fiscal year 2006 to \$9,996,350 in fiscal year 2010, representing an average annual revenue increase of 12.2 percent. See "Authority Rate-Making Methodology and Airport Use and Lease Agreements" above for a summary of the rate-making methodologies employed by the Authority to determine the rental rates and other fees payable by the airlines operating at the Airport.

Non-Airline Revenues

The sources of non-airline revenues include public parking, rental car concessions, and various terminal and other concession activities (collectively, "Non-Airline Revenues"). Non-Airline Revenues increased from approximately \$22 million in fiscal year 2006 to approximately \$24.5 million in fiscal year 2010 at an average annual growth rate of 2.7 percent per year. Non-Airline Revenues accounted for 69.9 percent of the Authority's Revenues in fiscal year 2010 (net of transfers from the Capital Improvement Fund in fiscal year 2010).

Parking Revenue. Parking revenue is the largest source of Revenue for the Authority. Short-term (hourly) parking and long-term (daily) parking are provided at different parking rates in the Parking Facility. Parking rates in the remote lot mirror those charged for long-term parking in the Parking Facility. In order to increase Net Revenues available to pay debt services on the Authority's outstanding Bonds (including the Series 2010 Bonds), the Authority's Board of Directors on May 11, 2009 approved a \$2.00 per day increase in the daily rate for automobile parking in the Parking Facility and the remote lot, which rate increase became effective on July 1, 2009. Revenue received by the Airport from public parking totaled \$13,224,807 in fiscal year 2010, which represented 32.4 percent of the Authority's Revenues in fiscal year 2010 (net of transfers from the Capital Improvement Fund in fiscal year 2010).

Auto Rental Concession Fees. The Authority receives concession fees from the auto rental companies, terminal concessionaires and other companies operating at the Airport. Through fiscal year 2010, the auto rental companies operating at the Airport paid a concession fee equal to 10 percent of their gross revenues, subject to a minimum annual guarantee. As a result of the effects of reduced enplanements at the Airport, the auto rental companies' concession fees equaled the minimum annual guarantee in fiscal year 2009 and fiscal year 2010. The Authority's Revenues from the concession fees paid by the auto rental companies totaled approximately \$5.6 million in fiscal year 2010. With the expiration of the rental car concession agreements on July 31, 2010, the auto rental companies are no longer required to pay a minimum annual guarantee in any fiscal year. As a result, the Airport Consultant anticipates that concession fees paid by the auto rental companies will decrease significantly in fiscal year 2010. See Section VI of the Feasibility Report for the Airport Consultant's projections of concession fees payable by the auto rental companies during the forecast period.

Food and Beverage Concession Fees. The Authority receives concession revenues from Host International for food and beverage items in an amount equal to the greater of (i) an annual minimum guarantee and (ii) 12 percent of food and non-alcoholic beverage sales and 15 percent of alcoholic beverage sales. The Authority's

Revenues from these concession fees equaled approximately \$0.6 million in fiscal year 2010. The Airport Consultant anticipates that these concession fees will increase upon completion of the TMP Improvements due to the relocation of many of the food and beverage concession areas from pre-security to post-security locations. See Section VI of the Feasibility Report for the Airport Consultant's projections of food and beverage concession fees during the forecast period.

News and Gift Item Concession Fees. The Authority receives concession revenues from news and gift items in an amount equal to (i) an annual minimum guarantee and (ii) 18 percent of news and gift sales. Concession fees from the sale of such news and gift items totaled approximately \$0.5 million in fiscal year 2010. The Airport Consultant anticipates that these concession fees shall increase upon completion of the TMP Improvements as a result of improved concession space. See Section VI of the Feasibility Report for the Airport Consultant's projections of news and gift item concession fees during the forecast period.

Other Concession Fees. The Authority receives concession fees for advertising displays in the Terminal, ground handling fees, taxi operations, vending machines and ATMs in the Terminal, FBO sales and various other minor items. Concession fees for all of these items aggregated \$0.3 million in fiscal year 2010.

Non-Airline Building Rent. The Authority receives building rent from air cargo carriers, auto rental companies (for the ready/return spaces on the first level of the Parking Facility and counter/office space in the Terminal), the FAA, the TSA and the US Postal Service. In fiscal year 2010, the Authority received approximately \$1.6 million in non-airline building rent, of which 44.5 percent was paid by the air cargo carriers and 31.1 percent was paid by the auto rental car companies.

Land and Hangar Rent. The Authority receives rents from the tenant that leases the aircraft maintenance facility (Alabama Aircraft Industries, Inc.), the tenants of the executive aircraft hangars, the FBO (Atlantic Aviation) and the rental car companies (for their service centers). Total land and hangar rents totaled approximately \$1.8 million in fiscal year 2010, with a majority of such rental revenue coming from the aircraft maintenance center (31.2%) and the executive aircraft hangars (44.9%).

Other Non-Airline Revenues. The Authority receives revenues from various other sources, including fuel flowage fees, fees from courtesy vehicles, reimbursements for utility expenses, rent from the Alabama National Guard, reimbursement grants from the TSA for the cost of police services related to security checkpoints, revenue from the business center and other miscellaneous sources. This miscellaneous revenue totaled approximately \$0.9 million in fiscal year 2010.

Passenger Facility Charges

Pursuant to 49 U.S.C. § 40117, as amended from time to time, and the regulations thereunder including Title 14 of the CFR, Part 158 (collectively, the "PFC Act"), the FAA Administrator may grant authority to a public agency that controls a commercial service airport to impose a PFC of \$1, \$2, \$3 or \$4.50 on passengers enplaned at such airport. PFC monies, including interest thereon, may be used only to finance the allowable costs of eligible projects contained in an application approved by the FAA Administrator. "PFC Eligible Projects", as such term is used herein, include projects that (i) preserve or enhance capacity, safety or security of the national air transportation system, (ii) reduce noise resulting from an airport or (iii) furnish opportunities for enhanced competition among air carriers. Prior to submitting an application, a public agency must comply with a user consultation process which requires the agency to give written notice to, and consult with, virtually all airlines operating at such airport.

The Authority initially received approval from the FAA to impose a PFC of \$3.00 per enplaned passenger beginning August 1, 1997, not to exceed \$7,657,558, principally to finance the rehabilitation of the main runway. Subsequently, the Authority requested and received approval to increase the charge per enplanement to \$4.50 and to increase the aggregate collection amount (including investment income thereon) to \$64,044,765. The Authority has previously used PFCs to finish the rehabilitation of the main runway, to pay for the rehabilitation of the air carrier apron, to relocate a sanitary sewer lift station, to remove obstructions from beyond the end of the main runway and to design the terminal modernization program included within the Capital Improvement Plan. The collection period is scheduled to end in September 2011. Through September 30, 2010, the Authority had collected PFCs totaling approximately \$57.135 million and had earned approximately \$1.383 million in interest on PFCs. As of

September 30, 2010, the Authority had (i) disbursed a total of \$52.356 million in PFC revenues to fund costs of PFC Eligible Projects and (ii) maintained \$6.161 million of PFC Monies on deposit in the PFC Account.

As discussed above under the heading "SECURITY FOR THE SERIES 2010 BONDS – Passenger Facility Charges", the Authority submitted the 2010 PFC Application to the FAA on September 20, 2010 for authority to impose and use PFCs to fund a portion of the Capital Improvement Plan and for other related pay-go improvements to the Airport Facilities, including, without limitation, a noise land acquisition, a portion of preconstruction services and a portion of terminal area demolition. In accordance with the PFC Act, the FAA approved the 2010 PFC Application on November 4, 2010. Under the 2010 PFC Application, the Authority may collect up to \$151,500,000 in PFCs from October 1, 2011 (i.e., the expiration of the Authority's previous application to collect and use PFCs) through July 1, 2031. Since the Authority anticipates using approximately \$65.5 million of proceeds of the Series 2010 Bonds to finance PFC Eligible Projects, the Authority expects to use a portion of the PFC monies from the PFCs to pay a portion of the debt service on the Series 2010 Bonds. However, neither the PFC Account nor the funds deposited therein (including, without limitation, the PFC Monies) are pledged as security for the Series 2010 Bonds or otherwise subject to the lien of the Indenture. See "SECURITY FOR THE SERIES 2010 BONDS – Commitment of Certain PFC Monies – PFC Account" herein. The authority to collect PFCs pursuant to the 2010 PFC Application expires once collections reach the maximum amount approved by the FAA (\$151,500,000).

No assurance can be given that PFC Monies will actually be received in the amount or at the time contemplated by the Authority or as projected in the Feasibility Report. The amount of actual PFC Monies will vary depending on actual levels of qualified passenger enplanements at the Airport. In addition, the FAA may terminate the Authority's ability to impose PFCs, subject to informal and formal procedural safeguards, if (1) the Authority's PFC revenues are not being used for approved projects in accordance with the FAA's approval of the 2010 PFC Application or the PFC Act, (2) the FAA Administrator determines that the PFC Monies are excessive or cannot determine that such PFC Monies are being used for approved projects in accordance with the 2010 PFC Application or the PFC Act, (3) project implementation does not commence within the time period specified in the PFC Act, or (4) the Authority otherwise violates the PFC Act. The Authority's ability to impose PFCs may also be terminated if the Authority violates certain provisions of the Airport Noise and Capacity Act of 1990 and its implementing regulations. Furthermore, no assurance can be given that the Authority's power to impose PFCs may not be terminated by Congress or the FAA, or that the PFC program may not be modified or restricted by Congress or the FAA so as to reduce PFC Monies available to the Authority or for the Series 2010 Bonds.

Federal Grants-In-Aid

General. The Airport and Airway Improvement Act of 1982 created the Airport Improvement Program ("AIP"), which is administered by the FAA and funded by the Aviation Trust Fund. This fund is financed by airline ticket taxes. AIP grants are available to airport operators generally in the following categories: (i) entitlement funds, (ii) discretionary funds, and (iii) noise grant funds. See "PLAN OF FINANCE".

Between the fiscal years ended June 30, 2006 through June 30, 2010, the Authority received a total of \$104,049,000 in AIP grant funds, as follows: \$19,378,000 (2006), \$17,706,000 (2007), \$17,250,000 (2008), \$27,069,000 (2009), and \$22,646,000 (2010). Not all AIP funds collected over the past five fiscal years will be used to pay costs of the Capital Improvement Program.

AIP Funds to be used for Payment of Capital Improvement Plan Costs. The Authority anticipates using approximately \$183,524,983 from AIP grant funds received or to be received between fiscal year 2007 through 2015 to pay a portion of the costs of the Capital Improvement Plan. Of that amount, (i) \$22,337,976 is expected to be in the form of FAA entitlement funds, (ii) \$107,762,205 is expected to be in the form of FAA discretionary funds, and (iii) \$53,424,802 is expected to be in the form of FAA noise grants.

Of the \$183,524,983 of AIP grants the Authority anticipates receiving and using to fund costs of the Capital Improvement Plan, the Authority has received \$49,244,165 in FAA discretionary funds and noise grants through the fiscal year ended June 30, 2010. The Authority anticipates receiving and using an additional \$134,280,818 of future AIP grant funds for the payment of costs of the Capital Improvement Plan, of which (i) approximately \$22,337,976 is expected to be in the form of FAA entitlement funds and (ii) the remaining balance is expected to be in some combination of FAA discretionary funds and noise grants.

TSA Grants

Pursuant to the Aviation and Transportation Security Act, Pub. L. 107-71, 115 Stat. 597, specifically 49 U.S.C. § 114(m)(1) and 106(l)(6) (the "TSA Act"), the Authority recently entered into that certain Other Transaction Agreement between Department of Homeland Security Transportation Security Administration ("TSA") and the Authority dated September 30, 2010 (the "TSA Agreement"). The TSA Agreement sets forth the terms and conditions of, and establishes the cost-sharing arrangement related to, the design, engineering and construction related services to provide for a new Checked Baggage Inspection System utilizing Explosive Detection Systems ("EDS") and Explosive Trace Detection ("ETD") at the Airport (the "Security Project").

The estimated cost of the Security Project for the airport modifications is \$15,056,032. TSA agrees to reimburse the Authority for ninety-five percent (95%) of the allowable, allocable and reasonable cost of the Security Project including design and construction management and costs, but not to exceed a total reimbursement of \$14,303,230. The Authority is responsible for any non-reimbursable, non-allocable costs, and any costs above \$14,303,230. Should TSA contributions of \$14,303,230 represent more than ninety-five percent of the total final allowable, allocable and reasonable costs, the Authority will refund TSA for the difference to achieve a ninety-five percent level. The EDS and ETD security screening equipment are and will remain the property of TSA. TSA will maintain, repair and refurbish the EDS and the ETD units at no cost to the Authority.

The term of the TSA Agreement is eighteen months. The completion of the Security Project is currently estimated to occur on or about November 20, 2012, unless terminated earlier by the parties pursuant to the TSA Agreement. Either party may terminate the TSA Agreement at any time prior to its expiration date, with or without cause, and without incurring any liability or obligation to the terminated party (other than amounts due and performance of obligations accrued, in each case prior to the termination date) by giving the other party at least thirty (30) days prior written notice of termination. In the event of termination or expiration of the TSA Agreement, any funds that have not been spent or incurred for allowable expenses prior to the date of termination are not reasonably necessary to cover termination expenses will be returned and/or de-obligated from the TSA Agreement.

Voluntary Airport Low Emissions Program

The Vision 100-Century of Aviation Reauthorization Act, Pub. L. 108-176 ("Vision 100"), was enacted in December 2003 to establish a voluntary program to reduce airport ground emissions at commercial service airports in air quality and nonattainment and maintenance areas. This program was intended to help airport sponsors meet their obligations under the Clean Air Act and to assist regional efforts to meet health-based National Ambient Air Quality Standards. Vision 100 directed the FAA to issue technical guidance reports describing eligible airport low-emission activities and the methods airport sponsors can demonstrate program benefits. To administer the Vision 100 airport emission program, the FAA created the Voluntary Airport Low Emissions ("VALE") program in 2005.

The goal of the VALE program is to reduce the amount of regulated pollutants and other harmful air emissions generated by ground transportation sources at airports. To achieve this goal, the VALE program provides airport sponsors with financial and regulatory incentives to increase their investments in proven low-emission technology. Funding for the VALE program is provided through two airport assistance programs, the FAA Airport Improvement Program, which, as described above, provides grants to airports from the Aviation Trust Fund, and the PFC program, which approves locally imposed fees from airline passengers for eligible airport development. Airport sponsors can use the VALE program funding to reduce emissions for all types of mobile and stationary sources at the airport. These programs offer substantial resources to airports for low-emission activities but only if such activities represent a higher priority for the airport than other needed airport development.

The eligible guidelines, requirements and procedures for the VALE program are based on the Vision 100 enabling legislation, the Clean Air Act and established AIP and PFC program regulations. The VALE program is focused on capital improvement projects and the deployment of proven, cost effective technology that is commercially available and no longer in the research and development stage.

The maximum federal share is ninety-five percent for small hub airports, such as the Airport. The remaining five percent of such project costs are expected to be funded by proceeds of the Series 2010 Bonds. The Authority anticipates receiving approximately \$8,773,988 in VALE program funding for eligible components of the

terminal modernization portion of the Capital Improvement Plan, none of which is anticipated to come from the collection of PFCs. The VALE program funding is in addition to the funding anticipated from AIP grants and PFCs as described above and in the Feasibility Report attached hereto as APPENDIX H.

Authority Funds

Pursuant to Article X of the Indenture, all monies remaining in the Revenue Fund as of the last day of each Fiscal Year (after required amounts are transferred to the Bond Fund, the Reserve Fund and the Subordinate Debt Fund to fund any deficiency therein) are deposited into the Capital Improvement Fund. Funds in the Capital Improvement Fund are held free and clear of the lien or encumbrance created by the Indenture and may be withdrawn by the Authority and used for any lawful purpose. The Authority currently plans to use approximately \$16,500,000 of funds in the Capital Improvement Fund to finance costs of the Capital Improvement Plan.

Expenses of the Authority

Current Expenses increased from \$18,707,616 in fiscal year 2006 to \$21,188,944 in fiscal year 2010. Current Expenses increased between fiscal year 2006 and fiscal year 2010 at an average growth rate of 3.2 percent per year.

Management's Discussion of Recent Audited Financial Results

The Authority's Revenues for the fiscal year ending June 30, 2010 were \$34,991,884, an increase of \$468,338, or 1.4 percent, from fiscal year 2009. Airline Revenues for fiscal year 2010 were \$10,516,724, an increase of 0.8 percent from fiscal year 2009. Non-Airline Revenues were \$24,475,162 in fiscal year 2010, an increase of 1.6 percent from fiscal year 2009. See "Airline Revenues" and "Non-Airline Revenues" above.

Operating expenses before depreciation for the fiscal year ending June 30, 2010, were \$21,188,944, a decrease of \$1,736,321, or 7.6 percent, from the prior fiscal year. Operating expenses benefited from reduced personnel costs, as well as reductions to materials and supplies related to decreased passenger activity.

The Authority and the Airport Consultant are of the opinion that future revenues and expenses will be directly impacted by the level of passenger activity at the Airport. For additional information about projected revenues and expenses, see APPENDIX H – "FEASIBILITY REPORT FROM AIRPORT CONSULTANT". For additional information concerning recent financial results, see APPENDIX B – "AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010".

Historical Revenues and Expenses of the Authority.

The following table sets forth unaudited historical data with respect to the revenues and expenses of the Authority:

Birmingham Airport Authority Historical Revenue and Expenses (For the 12 Months Ended June 30) (Expressed in Thousands) (UNAUDITED)					
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
AIRFIELD:					
Landing Fees	\$3,476	\$2,826	\$5,464	\$5,987	\$5,691
Apron Fees	374	379	372	393	373
Fuel Flowage Fees	475	456	431	330	317
Other Airfield Revenues	<u>405</u>	<u>505</u>	<u>658</u>	<u>545</u>	<u>488</u>
TOTAL AIRFIELD	4,730	4,167	6,926	7,254	6,868
NON-AIRFIELD:					
Terminal Space Rentals	3,181	3,148	3,189	3,422	3,802

Parking Concession	11,327	11,712	13,371	12,836	13,225
Rental Car Concession	5,276	5,280	5,640	5,529	5,580
Other Concessions	1,241	1,400	1,803	1,537	1,395
Pemco Aeroplex	1,049	780	501	611	546
Land & Other Bldg Rentals	3,298	1,779	2,673	2,713	2,839
Other Operating Revenues	223	289	466	622	737
Interest Income	<u>607</u>	<u>815</u>	<u>623</u>	<u>309</u>	<u>196</u>
TOTAL NON-AIRFIELD	<u>26,201</u>	<u>25,204</u>	<u>28,266</u>	<u>27,579</u>	<u>28,230</u>
SUBTOTAL REVENUES	30,931	29,371	35,191	34,833	35,188
Rev Bond Debt Service Coverage Transfer	<u>1,745</u>	<u>1,808</u>	<u>1,834</u>	<u>1,715</u>	<u>1,777</u>
TOTAL REVENUES	<u>\$32,677</u>	<u>\$31,179</u>	<u>\$37,025</u>	<u>\$36,548</u>	<u>\$36,965</u>
CURRENT EXPENSES:					
Personnel Costs	\$5,718	\$5,386	\$6,992	\$9,524	\$9,356
Security	3,183	3,182	3,471	3,963	3,893
Utilities	1,658	1,741	2,087	2,555	2,365
Contractual Services	3,457	4,164	5,113	1,249	843
Materials and Supplies	1,164	848	1,209	950	1,203
Repairs and Maintenance	1,597	2,498	2,576	2,194	1,359
Other Expenses	<u>1,931</u>	<u>2,016</u>	<u>2,357</u>	<u>2,490</u>	<u>2,171</u>
Total Current Expenses	<u>\$18,708</u>	<u>\$19,835</u>	<u>\$23,805</u>	<u>\$22,925</u>	<u>\$21,189</u>
ALLOCATION OF EXPENSES TO COST CENTERS					
Airfield	5,468	5,484	6,636	6,886	6,952
Apron	475	477	577	599	605
Non-Airfield:					
Terminal Building	6,611	6,881	7,619	8,488	7,875
Other Non-Airfield	<u>6,154</u>	<u>6,993</u>	<u>8,973</u>	<u>6,953</u>	<u>5,757</u>
Total Non-Airfield	<u>12,764</u>	<u>13,875</u>	<u>16,592</u>	<u>15,441</u>	<u>13,632</u>
Total Allocated (100%)	<u>\$18,708</u>	<u>\$19,835</u>	<u>\$23,805</u>	<u>\$22,925</u>	<u>\$21,189</u>

Source: Birmingham Airport Authority

RATE COVENANT TESTS

The Rate Covenant contained in the Indenture provides that the Authority shall fix, charge and collect rates, fees, rentals and charges for use of the Airport Facilities in order to meet the following three tests:

(1) Test 1 requires the Authority to produce Revenues in each Fiscal Year at least equal to the sum of the Current Expenses due in such Fiscal Year and the amounts required to be deposited into the Bond Fund, the Reserve Fund and the Subordinate Debt Fund in such Fiscal Year under the provisions of the Indenture,

(2) Test 2 requires the Authority to produce Net Revenues in each Fiscal Year at least equal to 125 percent of the aggregate amount required to be deposited into the Bond Fund during such Fiscal Year under the provisions of the Indenture, and

(3) Test 3 requires the Authority to provide sufficient cash in each Fiscal Year to pay Current Expenses due in such Fiscal Year and to make the deposits required to be made into the Bond Fund in such Fiscal Year.

If the Authority does not satisfy its obligation to fix, charge and collect sufficient sums to satisfy each of the three tests as set forth in items (1), (2) and (3) above, as set forth in the audit report for any applicable Fiscal Year, the Authority shall employ an Airport Consultant to recommend action to be taken to ensure that said requirements shall be met. After receipt of such recommendations, the Authority shall, in accordance with the Indenture, take such action as it deems necessary to fulfill its obligations under the Rate Covenant. If the Authority fails to fulfill such obligations, the Trustee may take action as set forth in the Indenture to compel such compliance by the Authority.

The aggregate amount required to be deposited in the Bond Fund during any Fiscal Year under the Indenture for purposes of the Rate Covenant shall be reduced by (i) amounts paid into the Bond Fund Primary Account from the Series 2010 Capitalized Interest Account for the payment of interest on the Series 2010 Bonds and (ii) amounts transferred from the PFC Account into the Bond Fund Primary Account to pay for principal and/or interest on the Series 2010 Bonds. See "SECURITY FOR THE SERIES 2010 BONDS – Commitment of Certain PFC Monies – PFC Account" and "SECURITY FOR THE SERIES 2010 BONDS – Application of Revenues – Flow of Funds" herein.

During the period beginning July 1, 2005 through June 30, 2010, the Authority has produced Revenues, as reflected in the following table, sufficient to meet the annual requirements of the Rate Covenant:

**Birmingham Airport Authority
Rate Covenant Tests
(For the 12 Months Ended June 30)
(Expressed in Thousands)
(UNAUDITED)**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
TEST 1					
Revenues net of transfers	\$30,931	\$29,371	\$35,191	\$34,833	\$35,188
Transfers from Capital Improvement Fund for revenue bond debt service coverage(1)	<u>1,745</u>	<u>1,808</u>	<u>1,834</u>	<u>1,715</u>	<u>1,777</u>
Total Revenues	32,677	31,179	37,025	36,548	36,965
Less:					
Current Expenses	18,708	19,835	23,805	22,925	21,189
Bond Fund Deposit (Debt Service)	7,123	7,336	7,042	6,858	7,108
Subordinated Debt Payments	<u>102</u>	<u>96</u>	<u>92</u>	-	-
Must Not Be Less Than Zero	<u>\$6,744</u>	<u>\$3,912</u>	<u>\$6,086</u>	<u>\$6,764</u>	<u>\$8,668</u>
TEST 2					
Revenues net of transfers	\$30,931	\$29,371	\$35,191	\$34,833	\$35,188
Transfers from Capital Improvement Fund for revenue bond debt service coverage(1)	<u>1,745</u>	<u>1,808</u>	<u>1,834</u>	<u>1,715</u>	<u>1,777</u>
Total Revenues	32,677	31,179	37,025	36,548	36,965
Less:					
Current Expenses	<u>18,708</u>	<u>19,835</u>	<u>23,805</u>	<u>22,925</u>	<u>21,189</u>
Net Revenues	13,969	11,344	13,221	13,622	15,776
Less:					
Revenue Bond Debt Service times 125%	<u>8,903</u>	<u>9,169</u>	<u>8,803</u>	<u>8,573</u>	<u>8,885</u>
Must Not Be Less Than Zero	<u>\$5,066</u>	<u>\$2,175</u>	<u>\$4,418</u>	<u>\$5,050</u>	<u>\$6,891</u>

TEST 3

Revenues net of transfers	\$30,931	\$29,371	\$35,191	\$34,833	\$35,188
Transfers from Capital Improvement Fund for revenue bond debt service coverage(1)	<u>1,745</u>	<u>1,808</u>	<u>1,834</u>	<u>1,715</u>	<u>1,777</u>
Total Revenues	32,677	31,179	37,025	36,548	36,965
Less:					
Current Expenses	18,708	19,835	23,805	22,925	21,189
Revenue Bond Debt Service	<u>7,123</u>	<u>7,336</u>	<u>7,042</u>	<u>6,858</u>	<u>7,108</u>
Allowable Amount of Non-Cash Revenue	<u>\$6,846</u>	<u>\$4,008</u>	<u>\$6,178</u>	<u>\$6,764</u>	<u>\$8,668</u>

Source: Birmingham Airport Authority

(1) Represents transfers from the Capital Improvement Fund to satisfy the Rate Covenant as has been determined to be permitted under the terms of the Indenture. Under the definition of "Revenues" as amended by the Sixth Supplemental Indenture (See Appendix C – "Summary of the Indenture – Definitions"), the extent to which Capital Improvement Fund transfers may be taken into account in calculating Revenues for a given Fiscal Year is limited to 25% of the aggregate amount required to be deposited in the Bond Fund for such Fiscal Year.

Historical Debt Service Coverage

For illustrative purposes only, the table below summarizes the historic ratio of (a) the Net Revenues of the Authority for each fiscal year indicated to (b) the aggregate debt service paid during such fiscal year on the Outstanding Parity Bonds, based on the methodology described above with respect to Test 2. This ratio is not a covenant by the Authority and is offered here solely for illustrative purposes.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Coverage Ratio Calculation					
Revenues net of transfers	\$ 30,931	\$ 29,371	\$ 35,191	\$ 34,833	\$ 35,188
Transfers from Capital Improvement Fund for revenue bond debt service coverage(1)	<u>1,745</u>	<u>1,808</u>	<u>1,834</u>	<u>1,715</u>	<u>1,777</u>
Total Revenues	32,677	31,179	37,025	36,548	36,965
Less:					
Current Expenses	<u>18,708</u>	<u>19,835</u>	<u>23,805</u>	<u>22,925</u>	<u>21,189</u>
Net Revenues	13,969	11,344	13,221	13,622	15,776
Aggregate Debt Service	7,123	7,336	7,042	6,858	7,108
Debt Service Coverage Ratio	<u>1.96</u>	<u>1.55</u>	<u>1.88</u>	<u>1.99</u>	<u>2.22</u>

SOURCE: Birmingham Airport Authority

(1) Represents transfers from the Capital Improvement Fund to satisfy the Rate Covenant as was permitted under the terms of the Indenture. Under the definition of "Revenues" as amended in the Sixth Supplemental Indenture (See Appendix C – "Summary of the Indenture - Definitions"), the extent to which Capital Improvement Fund transfers may be taken into account in calculating Revenues for a given Fiscal Year is limited to 25% of the aggregate amount required to be deposited in the Bond Fund for such Fiscal Year.

INVESTOR CONSIDERATIONS

The Series 2010 Bonds may not be suitable investments for all persons, and prospective purchasers should evaluate the risks and merits of an investment in the Series 2010 Bonds and confer with their own legal and financial advisors before considering a purchase of the Series 2010 Bonds. The following section describes certain risk factors affecting the payment of and security for the Series 2010 Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of the Series 2010 Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following risk factors along with all other information described elsewhere or incorporated by reference in this Offering Memorandum in evaluating the Series 2010 Bonds.

Dependence on Levels of Air Traffic and Activity

Pursuant to the Indenture, the principal of and interest on the Outstanding Parity Bonds, the proposed Series 2010 Bonds and any Additional Bonds are payable from Net Revenues. The ability to pay debt service on the Bonds will depend on the Authority's receipt of sufficient Net Revenues. The Seventh Supplemental Indenture also provides that certain PFC Monies received by the Authority will be transferred to the Bond Fund Primary Account to pay principal and interest on those portions of the Series 2010 Bonds that financed PFC Eligible Projects (although such PFC Monies are not legally and contractually pledged as Net Revenues under the Indenture or otherwise as security for the Series 2010 Bonds).

Both Net Revenues and PFC Monies are dependent primarily on aviation activity and enplaned passenger traffic at the Airport. The Net Revenues and PFC Monies are also affected by the economic health of the air transportation industry and, in particular, the airlines serving the Airport. As a result, the Authority's ability to generate Net Revenues and PFC Monies from its operation of the Airport depends upon many factors, many of which are not subject to the control of the Authority, including (1) the growth in the population and economy of the area served by the Airport, especially the Birmingham-Hoover MSA, (2) national and international economic and political conditions, (3) domestic and international affairs, (4) air carrier economics and air fares, (5) the availability and price of aviation fuel, (6) airline service and route networks, (7) the capacity of the air traffic control system, (8) labor relations within the airline industry, (9) changes in demand for air travel, (10) regulation by the federal government and (11) the capacity of the airport system. Additionally, slow or negative traffic growth in many areas, increased competition among air carriers, increased labor, equipment and other operating costs, and increases in the requirements for and the cost of debt capital have combined recently to reduce profits materially or to cause losses for many air carriers over the past few years, although many airlines have recently reported substantial increases in profitability. Furthermore, the legacy carriers have taken many actions to restructure and reduce costs including reducing their workforce, renegotiating their labor agreements, consolidating connecting activity and replacing mainline jets with regional jets. The Authority makes no representation whatsoever with respect to the continued viability of any of the airlines serving the Airport and cannot assess the impact that these factors will have on the airline industry or the airlines operating at the Airport and, in turn, on the Authority's Net Revenues or potential PFC Monies.

Amounts available for deposit in the Revenue Fund and the amount of PFC Monies available for transfer to the Bond Fund Primary Account could also be adversely affected by delays or defaults in the payments of rates and charges by the air carriers at the Airport and delays or defaults in the payments of PFCs by the airlines to the Authority.

Federal Law Affecting Airport Rates and Charges

Federal aviation law requires, in general, that airport fees be reasonable and that, in order to receive federal grant funding, all airport-generated revenues must be expended (with certain limited exceptions) for the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner that are directly and substantially related to air transportation of passengers or property. Pursuant to the requirements of the Federal Aviation Administration Authorization Act of 1994 (the "1994 Aviation Act"), DOT and FAA have promulgated regulations setting forth an expedited hearing process to be followed in determining the reasonableness of airport rates and charges (the "Procedural Regulations"), and have also promulgated two policy statements, the first regarding airport rates and charges, effective June 21, 1996 (the "Rates and Charges Policy"), and the second, a proposed policy regarding the revenue retention requirement set forth at 49 U.S.C. § 47107(b), dated February 10, 1996 and supplemented on December 11, 1996 (the "Revenue Retention Policy"). On August 1, 1997, the United States Court of Appeals for the District of Columbia Circuit (the "US Court of Appeals") vacated the Rates and Charges Policy in part and remanded it to the DOT. The Revenue Retention Policy, while not final, reflects the FAA's position concerning the legally permissible uses of airport revenue.

The US Court of Appeals determined that a portion of the Rates and Charges Policy was arbitrary and capricious, and therefore vacated certain paragraphs of the policy and remanded it to the DOT. The Rates and Charges Policy had provided that unless aeronautical users agreed otherwise, revenues from fees imposed for use of the airfield and public use roadways may not exceed the costs of providing such public use roadways and airfield services and airfield assets currently in use, valued at their historical cost. The policy further provided, however,

that any reasonable methodology could be used to determine fees for facilities and land not associated with the airfield. On July 8, 2008, the Office of the Secretary of Transportation and the FAA issued an amendment to the Rates and Charges Policy clarifying that certain practices were permitted and establishing exceptions to the general policy to facilitate use of alternative airfield pricing at highly congested airports (73 Fed. Reg. 40430; July 14, 2008). Under the Rates and Charges Policy (as amended), (i) rates, rentals, landing fees and other charges that airports impose on aeronautical users for aeronautical use must be fair and reasonable and (ii) aeronautical fees may not unjustly discriminate against aeronautical users.

Under the procedures contained in the Procedural Regulations, if a complaint filed within 60 days after notification of the new fee or fee increase presents a "significant dispute", the Secretary of Transportation is required to issue a final order within 120 days determining whether the challenged new fee or fee increase is reasonable. During the pendency of the review, the airlines must pay the disputed portion of the fee to the airport under protest, subject to refund to the extent such fees are found to be unreasonable by the Secretary. The airport must obtain a letter of credit, surety bond or other suitable credit facility equal to the amount in dispute that is due during the 120-day period. The 1994 Aviation Act specifically provides that these expedited procedures do not apply to (1) a fee imposed pursuant to a written agreement with air carriers using airport facilities, (2) a fee imposed pursuant to a financing agreement or covenant entered into prior to the date of enactment of the section, or (3) any other existing fee not in dispute as of August 23, 1994. The 1994 Aviation Act also provides that nothing in the Act shall adversely affect (1) the rights of any party under any existing written agreement between an air carrier and the owner of an airport or (2) the ability of an airport to meet its obligations under a financing agreement or covenant that is in force as of August 23, 1994. As discussed above in "REVENUES AND EXPENSES OF THE AUTHORITY AND OTHER FINANCIAL CONSIDERATIONS – Authority Rate-Making Methodology and Airport Use and Lease Agreement", the Authority does not currently have any written agreements with any of the airlines operating at the Airport.

Federal statutes and regulations also require that an airport maintain a rate structure that is as "self-sustaining" as possible and limit the use of all revenue generated by an airport receiving federal assistance (including local taxes on aviation fuel and other airport-related receipts) to purposes related only to the airport. The statutes provide, with certain limited exceptions, that the use of airport revenue for purposes other than the capital or operating costs of the airport, the local airport system, or other local facilities owned or operated by the airport owner or operator and directly and substantially related to the air transportation of passengers or property is unlawful revenue diversion and provide for monetary penalties and other remedies in the event of violations. On February 16, 1999, the Department of Transportation published final policy guidelines implementing these statutory provisions. The Authority is not aware of any deviation by the Authority from these restrictions and guidelines.

The Authority is not aware of any formal dispute involving the Airport over any existing rates and charges. The Authority believes that the rates and charges methodology utilized by the Authority and the rates and charges imposed by it upon air carriers and other aeronautical users are reasonable and consistent with applicable law. See "REVENUES AND EXPENSES OF THE AUTHORITY AND OTHER FINANCIAL CONSIDERATIONS - Authority Rate-Making Methodology and Airport Use and Lease Agreements" above. However, there can be no assurance that a complaint will not be brought against the Authority in the future challenging such methodology and the rates and charges established by the Authority and, if a judgment is rendered against the Authority, that rates and charges paid by aeronautical users of the Airport will not be reduced. On at least one occasion, airlines were permitted to raise an administrative challenge to certain aeronautical fees imposed by an airport outside the Procedural Regulations. In *Union Flights, Inc. v. San Francisco Int'l Airport*, FAA Docket No. 16-99-11, 2000 FAA LEXIS 316 (Feb. 15, 2000), the FAA investigated an airline complaint of unreasonable airport rates and charges pursuant to the agency's Rules of Practice for Federally-Assisted Airport Enforcement Proceedings, 14 C.F.R. Part 16.

There can be no assurance that new regulations will not be enacted, or that additional challenges to existing regulations will not take place, which, in either case, could affect the costs permitted to be included in determining an airport's rate base and/or limit the Authority's flexibility in negotiating new "use and lease" agreements with the airlines or in setting rates and charges for the Airport's airfield and non-airfield facilities.

Federal Legislation Affecting the Air Transportation Industry

Since September 11, 2001, and as a result of the financial distress and bankruptcy filings in the airline industry, the federal government enacted several pieces of legislation that have directly affected the airline industry. Such legislation includes the Federal Aviation and Transportation Security Act enacted on November 19, 2001 to provide, among other things, for the federalization of airport security through the TSA. The Homeland Security Act enacted on November 25, 2002 created the Department of Homeland Security (the "DHS") to accomplish several primary goals, including, among others, preventing terrorist attacks within the United States; reducing the United State's vulnerability to terrorism; minimizing the danger of, and assisting in the recovery from, terrorist attacks that do occur; and monitoring connections between illegal drug trafficking and terrorism and coordinating efforts to seek such connections. The TSA is a part of the DHS.

On October 17, 2005, amendments to the United States Bankruptcy Code took effect. The amendments were partially established as a result of bankruptcies of airlines. Among other things, the amendments will force companies to reorganize and emerge from Chapter 11 protection more quickly. Companies will have up to 18 months during which they must submit a reorganization plan and are protected from takeover attempts. The amendments also require companies to make decisions within 120 days about whether they want to reject leases of their vendors or partners (which could include, for purposes of airlines, airport use and lease agreements).

FAA Reauthorization. A bill extending the FAA's operating authority was signed into law on September 30, 2010. The provisions of the bill extend the FAA's operating authority, including various aviation programs and excise taxes, to December 31, 2010. This bill was the 16th such extension of FAA reauthorization since 2007 when the FAA authorization expired.

General Factors Affecting the Airline Industry

Recent Events. The financial difficulties of most domestic airlines, including the bankruptcy of several airlines, the general economic downturn of the U.S. economy, the significant recent increases and overall fluctuations in fuel prices, the threat of future terrorist attacks, the conflicts in Iraq and Afghanistan and the increased security requirements in air transportation adversely affected the U.S. aviation industry, including the financial condition of the airlines that operate at the Airport. Potential investors are urged to review the airlines' financial information on file with the SEC.

National Economic Conditions. Historically, air travel and related services have correlated closely with the state of the United States economy and levels of real disposable income. Sustained future growth in domestic air carrier passenger traffic will depend largely on the ability of the nation to sustain economic growth. Economic expansion increases income, boosts consumer confidence, stimulates business activity and increases consumer demand. In contrast, an economic recession reduces income, diminishes consumer confidence, dampens business activity, and weakens consumer demand.

According to the National Bureau of Economic Research Business Cycle Dating Committee, the U.S. economy peaked in December 2007 and entered a period of recession that ended in June 2009. Compared to the 2001 recession, which was mild and brief, the latest recession was deeper and longer. The U.S. economy posted negative growth every quarter from the first quarter of 2008 through the second quarter of 2009, except during the second quarter of 2008. During September, 2008, significant and dramatic changes occurred in the financial markets. Several U.S. commercial and investment banks declared bankruptcy, were acquired by other financial institutions, combined with other financial institutions or sought large infusions of capital. The volatility in the capital markets led the U.S. government to intervene by making funds available to certain institutions, taking over the ownership of others and assuming large amounts of troubled financial instruments in exchange for imposing greater regulation over certain institutions in order to restore the consumers' confidence in the nation's financial markets. The deepest declines in real GDP occurred during the fourth quarter of 2008 and the first quarter of 2009. The trend began to improve in the second quarter of 2009 when real GDP posted a very mild decline. Positive growth from the third quarter of 2009 through the second quarter of 2010 indicates the beginning of economic recovery, consistent with independent economic forecasts from various sources. It is not known, however, at this time whether such economic growth will continue.

The recent economic struggles have directly impacted national aviation demand levels, with continuing weak demand for air travel. U.S. domestic enplanements declined by approximately 5.2% in 2009, compared to 2008. Continuing poor economic conditions in the United States could have a similar effect on the Birmingham region and the rest of the Airport's trade area and, will in turn, affect the enplanement level at the Airport. There can be no assurances that such developments will not have an adverse effect on the air transportation industry and the Airport.

International Economic and Political Conditions. As international trade and air travel have increased, international economics, currency exchange rates, trade balances, political relationships, and conflicts within and between foreign countries have become important influences on passenger traffic at major United States airports. Aviation security precautions and safety concerns arising from international political conflicts can also affect air carrier travel demand.

Overall Financial Health of U.S. Airline Industry. Financial weakness and volatility have characterized the U.S. airline industry, especially over the past decade. U.S. airlines posted net losses during five consecutive years from 2001 through 2005, with cumulative losses totaling \$57.7 billion. In 2006, the industry began to see positive results and continued to improve in 2007 despite record high oil prices. U.S. airlines realized a net profit of \$18.2 billion in 2006 and \$7.7 billion in 2007. However, as described below, jet fuel prices continued to escalate through July 2008, forcing some airlines into bankruptcy and liquidation, and others into reducing staff and seat capacity nationwide. Jet fuel prices have since fallen significantly, providing airlines with cost relief, but the demand for air travel has continued to weaken with the national and global economic slowdown. The industry has responded to declining demand by offering multiple fare sales, which have depressed industry revenues. U.S. airlines again incurred net losses totaling \$23.7 billion in 2008. As jet fuel prices decreased in 2009, the net losses reported by the U.S. airlines decreased to \$2.5 billion.

Air Carrier Service and Routes. While passenger demand at an airport depends on the population and the economy of the region served, air carrier service and the number of passengers enplaned also depend on the route networks of the air carriers serving that airport. Domestic air carriers are free to enter or leave individual air traffic markets, and to increase or decrease service, at will.

Aviation Fuel Prices. Airline earnings are significantly affected by changes in the price of aviation fuel. According to the Air Transport Association (the "ATA"), aviation fuel is the second largest cost component of airline operations (after labor), and therefore an important and uncertain determinant of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but there have been significant price increases for fuel.

Any unhedged increase in fuel prices causes an increase in airline operating costs. According to the ATA, a one-dollar per barrel increase in the price of crude oil equates to approximately \$445 million in annual additional expense for U.S. airlines. Fuel prices continue to be susceptible to, among other factors, political unrest, Organization of Petroleum Exporting Countries policy, increased demand for fuel caused by rapid growth of economies such as China and India, fuel inventory maintained by certain industries, reserves maintained by governments, currency fluctuations, disruptions to production and refining facilities and weather. In recent years, the cost of aviation fuel has risen sharply in response both to political instability abroad as well as increased demand for petroleum products around the world. From 2000 to 2008, the price of aviation fuel more than tripled. Oil prices reached an all-time record high of approximately \$145 per barrel in July 2008. Fuel prices have fallen dramatically since 2008, but they have increased 35 percent during the first eight months of 2010. According to the ATA, fuel expenses, which historically ranged from 10 to 15 percent of U.S. passenger airline operating costs, now run between 30 and 50 percent. Significant fluctuations and prolonged increases in the cost of aviation fuel have adversely affected air transportation industry profitability, causing airlines to reduce capacity, fleet and personnel and to increase airfares and institute fuel, checked baggage, and other extra surcharges, all of which may decrease demand for air travel.

Many airlines engage in or have engaged in fuel hedging – purchasing fuel in advance at a fixed price through derivative contracts – to help manage the risk of future increases in fuel costs. However, there can be no assurance that any fuel hedging contract can provide any particular level of protection from volatile fuel prices.

Air Carrier Economics, Competition, and Airfares; Travel Substitutes. Air carrier fares have an important effect on passenger demand, particularly for relatively short trips where automobile or other travel modes are alternatives and for price-sensitive "discretionary" travel, such as vacation travel. The recent economic downturn has increased this trend. Airfares are influenced by air carrier operating costs and debt burden, passenger demand, capacity and yield management, market presence and competition. Additionally, teleconference, video-conference and web-based meetings continue to improve in quality and price and are often considered a satisfactory alternative to face-to-face business meetings. Events such as the terrorist attacks of September 11, 2001 may have accelerated this trend. Others are choosing to travel by train instead of by air.

Capacity of National Air Traffic Control and Airport Systems. Demands on the national air traffic control system continue to cause aircraft delays and restrictions, both on the number of aircraft movements in certain air traffic routes and on the number of landings and takeoffs at certain airports. These restrictions affect airline schedules and passenger traffic nationwide. The FAA is gradually automating and enhancing the computer, radar and communications equipment of the air traffic control system and assisting in the development of additional airfield capacity through the construction of new runways and the more effective use of existing runways. However, increasing demands on the national air traffic control and airport systems could cause increased delays and restrictions in the future, including any delays and restrictions at the Airport that could reduce passenger enplanements.

World Health Concerns. Periodically, outbreaks of infectious diseases may adversely affect air travel. Most recently an outbreak of influenza A (H1N1) virus in Mexico and cases reported in the United States have caused travel concerns that could adversely affect air traffic. Americans are also concerned about exposure to the virus from contact with other airline passengers, and many have curtailed domestic and foreign travel. Although the World Health Organization has raised the influenza pandemic alert to phase 6, it did not recommend travel restrictions related to the outbreak of influenza A.

Seat Capacity Cuts and Other Airline Cost-Cutting Reductions. The United States Government Accountability Office reported that the U.S. passenger airline industry reduced domestic capacity in 2009 by the largest percentage since the 2001 terrorist attacks in response to high fuel prices and a weakening economy. Domestic capacity for the first three quarters of 2010 has decreased by 0.6 percent. Compared with the same quarter in 2009, the industry increased domestic capacity by 0.7 percent in the third quarter of 2010.

Over the past three years, airlines such as Delta, American, United and Southwest have announced substantial reductions in nationwide capacity, including removing numerous aircraft from their fleets, as well as job eliminations. In addition to seat capacity reductions, the airlines are taking various cost-cutting actions, including reducing flights and instituting baggage fees, ticket-change fees, in-flight catering fees, and frequent flyer reservation surcharges. The Authority makes no assurance that the nationwide reduction in capacity announced by airlines over the past three years will not significantly impact future airline activity levels at the Airport, especially if any additional reductions take place with respect to Southwest, Delta and/or US Airways. See "Certain Risks Related to Market Dominance by Southwest, Delta and US Airways" and "Southwest's Potential Acquisition of AirTran" for additional information and risks related to Southwest's, Delta's and US Airways' operations and market share at the Airport.

Aviation Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions, particularly in the context of potential international hostilities and terrorist attacks, may influence passenger travel behavior and air travel demand. These concerns have intensified in the aftermath of the September 11, 2001 terrorist attacks on the United States. Travel behavior may be affected by anxieties about the safety of flying and by the inconveniences and delays associated with more stringent security screening procedures, both of which may give rise to the avoidance of air travel generally and the switching from air to surface travel modes.

Since September 11, 2001, intensified security precautions have been instituted by government agencies, airlines and airport operators. These precautions include the strengthening of aircraft cockpit doors, changes to prescribed flight crew responses to attempted hijackings, increased presence of armed sky marshals, federalization of airport security functions under the TSA and revised procedures and techniques for the screening of passengers and baggage for weapons and explosives. No assurance can be given that these precautions will be successful. Also,

the possibility of intensified international hostilities and further terrorist attacks involving or affecting commercial aviation are a continuing concern that may affect future travel behavior and airline passenger demand.

The TSA implemented a Congressional mandate for the screening of all checked baggage. Accordingly, there is the potential for significantly increased inconveniences and delays at many airports. These increased inconveniences and delays may affect air travel demand at the Airport and throughout the air transportation system.

Historically, air travel demand has recovered after temporary drops from security-related concerns stemming from terrorist attacks, hijackings, aircraft crashes and international hostilities. Provided that the intensified security precautions in the United States and elsewhere are effective in restoring and maintaining confidence in the safety of commercial aviation while not imposing unacceptable inconveniences and delays for air travelers, it is expected that future demand for airline travel at the Airport will depend primarily on economic rather than security factors.

Geopolitical Risks

The terrorist attacks in the United States and other parts of the world, the conflicts in Iraq and Afghanistan and the increased threat of future terrorist attacks decreased passenger traffic levels commencing in 2001. Although passenger traffic has rebounded and, in 2005, exceeded prior September 11, 2001 levels, the Authority cannot assess the threat of terrorism and the probability of another attack on American soil or against Americans travelling or American interests abroad. Should new attacks occur against the air transportation industry, the travel industry, cities and other municipalities, utilities, infrastructures, office buildings or manufacturing plants, the effects on travel demand could be substantial.

Passenger Facility Charges

Application. The Seventh Supplemental Indenture provides that (i) all PFC Monies received by the Authority will be deposited upon receipt into the PFC Account and (ii) certain PFC Monies shall be transferred from the PFC Account to the Bond Fund Primary Account to pay a portion of the debt service on the Series 2010 Bonds (but only to the extent PFC Monies are available for such purpose and up to the amounts described under "SECURITY FOR THE SERIES 2010 BONDS – Commitment of Certain PFC Monies – PFC Account"). Federal law, including the PFC Act, dictates that PFCs may only be used to pay for, or provide reimbursement for the payment of, projects specifically permitted in the application authorizing the collection and use of PFCs. As a result, notwithstanding the Authority's option to use PFC Monies in accordance with the 2010 PFC Application, the PFC Monies may only be applied to pay costs of PFC Eligible Projects described in the 2010 PFC Application and/or pay a portion of the debt service on the Series 2010 Bonds (i.e., the debt service allocable to the approximately \$65.5 million in Series 2010 Bond proceeds used to finance PFC Eligible Projects). To the extent the Authority uses Series 2010 Bonds proceeds to fund components of the Capital Improvement Plan that are not PFC Eligible Projects, then the Authority cannot use PFC Monies to pay debt service on the portion of the Series 2010 Bonds allocated to such non-PFC Eligible Projects.

Sufficiency. The Authority's ability to collect PFC Monies will vary depending on the actual number of passenger enplanements at the Airport. If the number of enplaned passengers at the Airport falls below the estimate used by the Airport Consultant in the Feasibility Report to project annual PFC Monies to be collected in the future, actual PFC Monies will fall short of projections. Such a shortfall of PFC Monies could have an adverse impact on the timely payment of principal and interest on the Series 2010 Bonds. The adverse impact could be direct or indirect, which could occur if, for example, a PFC Monies shortfall caused the Authority to increase landing fees by an amount that could negatively impact the Airport's desirability to the airline industry, thus ultimately affecting the Authority's collection of landing fees. There can be no assurance as to what passenger traffic, and PFC Monies available to the Authority, will be in the future.

Availability. The authority to impose and use PFC Monies is subject to the terms and conditions of the PFC Act and the related regulations, statutes and interpretations thereof. Failure to comply with the requirements of applicable law, such as the failure to use PFC Monies strictly for the approved PFC Eligible Projects, may cause the FAA to terminate or reduce the Authority's power to impose and collect PFCs. Additionally, airlines are permitted under the PFC Act to (i) commingle PFCs with other revenues and (ii) earn interest on PFC collections until PFC collections are remitted to the Authority. Furthermore, notwithstanding FAA regulations requiring the airlines to

account for PFC collections separately and indicating that those PFC collections are to be regarded as funds held in trust by the airlines for the beneficial interest of the Authority, in the event of a bankruptcy proceeding involving an airline, there is the possibility that a bankruptcy court could hold that the PFCs in such airline's custody are not to be treated as trust funds and that the Authority is not entitled to priority over other creditors of such airline as to such funds. The Authority cannot predict whether an airline that files for bankruptcy protection would have properly accounted for the PFCs or whether the bankruptcy estate would have sufficient monies to pay the Authority in full for the PFC owed by such airline. Additionally, there is no assurance that the PFC Act or any other relevant legislation or regulation will not be repealed or amended as to adversely affect the Authority's ability to collect PFC Monies or to apply them to pay for debt service on the Series 2010 Bonds and/or the PFC Eligible Projects included in the Capital Improvement Plan. The occurrence of any of these events could have an adverse impact on the timely payment of principal or interest on the Series 2010 Bonds. See "SECURITY FOR THE SERIES 2010 BONDS – Passenger Facility Charges" herein.

Judicial Review. The FAA's approval of an application from an airport authority to collect PFCs, such as the 2010 PFC Application, is subject to judicial review. In Village of Bensenville, et. al. v. Federal Aviation Administration, 376 F.3d 1114 (D.C. Cir. 2004), the United States Court of Appeals for the District of Columbia Circuit invalidated the FAA's approval of a PFC application filed by the City of Chicago because the Court found that the FAA had failed to make certain statutorily required findings in approving the application. The Court remanded the application to the FAA for further consideration. The defect was thereafter corrected by the FAA and the application was ultimately approved. Even though the Authority has no reason to believe that the FAA failed to make all of the statutorily required findings in approving the 2010 PFC Application, the 2010 PFC Application remains subject to judicial review and could be amended or invalidated by the applicable court.

Government Grants-in-Aid

As described above in "REVENUES AND EXPENSES OF THE AUTHORITY AND OTHER FINANCIAL CONSIDERATIONS – Federal Grants-In-Aid", the Airport expects to finance certain projects within the Capital Improvement Plan from government grants. The grants are primarily derived from the FAA's Airport Improvement Program. The Airport, from fiscal year 2006-fiscal year 2010 had FAA grant revenue ranging from \$17.250 million (in fiscal year 2008) to \$27.069 million (in fiscal year 2009) annually. Grant revenue is not earned until the work has been performed and the expense paid, so the annual amount of revenue fluctuates depending upon the projects that are initiated and the actual expenses that are incurred each year. In fiscal year 2010, new government grants awarded to the Authority totaled approximately \$12.335 million and government grant revenue received by the Authority totaled approximately \$22.646 million. The difference is due to the timing of the eligible work and expenses for which both current year and past year grants have been awarded. In the event that FAA AIP grants to the Airport are lower than those made in recent years, the Authority may need to either delay or not undertake certain projects, seek alternative sources of funding and/or possibly issue additional debt.

The Authority anticipates receiving and using FAA AIP grants to finance a portion of the Capital Improvement Plan. These FAA grants are comprised of (i) entitlement funds apportioned by formula to the Authority each year, (ii) discretionary funds awarded by the FAA to the Authority based on eligible projects' priority as determined by the FAA through the application of its National Priority System and (iii) FAA noise grants awarded by the FAA for noise mitigation projects, including land acquisitions. The capital improvements that the Authority expects to finance with the FAA AIP grants are necessary for the overall Capital Improvement Plan. The Authority received a letter dated November 1, 2010 from the FAA confirming the FAA's support of AIP funding for the construction of the proposed terminal apron, terminal building and items required by Title 49 Code of Federal Regulations ("CFR"), Part 1542. However, the FAA discretionary funds and the FAA noise grants remain subject to approval by the FAA and appropriation by Congress, and no assurance can be made that the Authority will receive such monies. If the FAA discretionary funds and noise grants are not provided to the Authority to fund these improvements, the Authority anticipates (i) funding such improvements by utilizing additional Authority funds (which may or may not be sufficiently available) to cover the costs of such improvements and/or (ii) reducing the scope of one or more projects (or a component of any such project) currently contemplated in the Capital Improvement Plan. There is no assurance that the Authority will have sufficient funds at its disposal if the Authority does not receive the anticipated FAA AIP grants. See " PLAN OF FINANCE" hereunder.

The Authority also anticipates financing a portion of the TMP Improvements with VALE Grants. As of the date of this Offering Memorandum, the Authority does not have a firm commitment from the FAA that the VALE Grants listed in the table under "PLAN OF FINANCE" herein will be made to the Authority. The TMP Improvements expected to be financed with VALE Grants are necessary to the overall Capital Improvement Plan. If the Authority does not receive the anticipated VALE Grants, the Authority anticipates (i) funding such improvements by utilizing additional Authority funds (which may or may not be sufficiently available) to cover the costs of such improvements and/or (ii) reducing the scope of one or more projects (or a component of any such project) currently contemplated in the Capital Improvement Plan. There is no assurance that the Authority will have sufficient funds at its disposal if the Authority does not receive the anticipated VALE Grants. See "PLAN OF FINANCE" hereunder.

General Factors Affecting Air Carrier Revenues and Airline Activity

Over the past 10 years, a number of airlines, including, but not limited to, Air Canada, Aloha Airlines ("Aloha"), Arrow Air, ATA Airlines, Delta, Frontier Airlines ("Frontier"), Hawaiian Airlines ("Hawaiian"), Independence Air, Japan Airlines, Maxjet Airways, Mesa Air, Mesaba Airlines, Mexicana, Midway Airlines ("Midway"), Northwest Airlines ("Northwest"), Primaris Airlines, Skybus Airlines ("Skybus"), United, US Airways, Vanguard Airlines ("Vanguard Air") and Varig Airlines ("Varig"), filed for bankruptcy reorganization. Vanguard Air ceased operations in 2002, Midway ceased operations in 2003, Varig ceased operations in 2005, Independence ceased operations in 2006 and Maxjet ceased operations in 2007. Aloha ceased passenger operations on March 31, 2008. ATA ceased operations on April 3, 2008. SkyBus ceased operations in April 2008. A number of these airlines remain under bankruptcy protection.

Faced with the growth of lower-cost airlines and evolving business technology, legacy airlines (United, Delta, Continental, American and US Airways) have changed their business practices, including reducing or eliminating service on unprofitable routes, reducing their work forces, implementing pay cuts, reducing fares to compete with low-cost carriers, deferring aircraft deliveries, streamlining operations and significantly increasing the use of smaller, regional jets. These events are likely to have an impact, directly or indirectly, on the Airport or the airlines that serve the Airport, but the extent of that impact is not possible to predict.

Effect of Bankruptcy of Air Carriers

The profitability of the airline industry has been in turmoil since 2001, with many airlines reporting substantial financial losses and many airlines filing for bankruptcy protection, due not only to the events of September 11, 2001, but also to a general economic slowdown, increased aviation fuel costs, inclement weather throughout the nation, labor disruptions and other factors.

In the event a bankruptcy case is filed with respect to any of the airlines that serve the Airport, a bankruptcy court could determine that any agreement between the Authority and that airline was an executory contract or unexpired lease pursuant to Section 365 of the Federal Bankruptcy Code. In that event, a trustee in bankruptcy or a debtor-in-possession might reject any such agreement.

Certain Risks Related to Market Dominance by Southwest, Delta and US Airways

Southwest, Delta (which includes Northwest as a result of its merger) and US Airways, collectively, accounted for 81.1% of all domestic enplanements at the Airport in fiscal year 2010.

Southwest. Southwest is among the few U.S. airlines that maintained profitability through the difficult period following the U.S. economic recession of 2001, the terrorist attacks of September 11, 2001 and the most recent U.S. economic recession. Southwest reported a net profit of \$99 million for 2009. Southwest reported that during the first three quarters of 2009, it eliminated 10 percent of its flights, which represented their unprofitable and less popular flights. Aircrafts freed up from the elimination of unprofitable and less popular flights were utilized to serve new markets, including Minneapolis/St. Paul, New York La Guardia and Boston Logan. Overall, Southwest's available seat miles flown decreased 5.1 percent in 2009, compared to 2008.

Southwest reported new revenue initiatives in 2009 to enhance revenues, including charges for pets, unaccompanied minors and early check-in options. Additionally, the airline reported a positive effect on revenue

resulting from its post-Labor Day fare sale. However, operating revenues decreased 6.1 percent in 2009, mainly due to a decrease in full fare bookings resulting from the airline's efforts to discount fares. Southwest believes its fare discounting initiatives were a primary cause of the increase in its load factor in 2009. The airline's overall load factor increased 4.8 percent, to 76.0 percent, in 2009. Southwest is still working to contain operating costs. Although its energy prices were lower in 2009 compared to 2008, the reduction in fuel and oil expenses was almost exactly offset by reduction in revenue in 2009. Southwest reported third quarter 2010 net income of \$205 million compared to a net loss of \$16 million in third quarter 2009. For more information on Southwest, reference is hereby made to Southwest's reports on Form 10-Q for the third quarter ended September 30, 2010 filed with the SEC and all other reports filed by Southwest with the SEC.

Delta. According to its financial statement for the quarter ended September 30, 2010 filed with the SEC, Delta's net income for such quarter was \$363 million, compared to a net loss of \$116 million for the third quarter of the previous year. Delta credited their improved financial results to a strengthening of the airline industry revenue environment, including increased demand for business travel. For more information on Delta, reference is hereby made to Delta's reports on Form 10-Q for the third quarter ended September 30, 2010 filed with the SEC and all other reports filed by Delta with the SEC.

US Airways. US Airways is based in Tempe, AZ and is the fifth largest airline in the United States as measured by revenue passenger miles and available seat miles. US Airways Express, which operates at the Airport, is a network of eight regional airlines operating under code share service agreements with US Airways.

In 2009, excluding special items, US Airways reported a net loss of \$205 million compared to a net loss of \$2.2 billion in 2008. According to US Airways, weak demand caused by the economic recession resulted in a 16.3 percent decrease in passenger revenues. US Airways instituted new revenue initiatives in 2009 that generated \$424 million in ancillary revenue. Ancillary revenues include first and second checked bag service fees, processing fees for travel awards issued through their Dividend Miles frequent traveler program, the new Choice Seats program and call center/airport ticketing fees.

In the third quarter of 2010, US Airways reported net income of \$240 million. Comparably, in the third quarter of 2009, US Airways reported a net loss of \$80 million. For more information on US Airways, reference is hereby made to US Airways's reports on Form 10-Q for the third quarter ended September 30, 2010 filed with the SEC and all other reports filed by US Airways with the SEC.

Recent Airline Consolidations and Mergers

In response to competitive pressures, numerous airlines within the U.S. airline industry have consolidated. In April 2001, American completed an acquisition of failing Trans World Airlines. In August 2001, merger plans for United and US Airways were proposed but rejected by the U.S. Department of Transportation because of concerns about reduced airline competition. In September 2005, US Airways and America West merged. In November 2006, the new US Airways proposed a merger with Delta while Delta was in bankruptcy, but Delta's management and creditors ultimately rejected the hostile merger proposal. Republic Airways Holdings completed the purchase of Frontier and Midwest airlines in October 2009.

On May 31, 2007, Northwest emerged from bankruptcy protection, which it had filed for in September 2005. On October 29, 2008, Delta completed its merger with Northwest, making Delta, at the time, the largest commercial air carrier in the world. In February 2009, Delta and Northwest began consolidating gates and ticket counters at airports where both airlines operated. In January 2010, Delta and Northwest completed the consolidation of their gates and ticket counters at airports where both airlines had operated. As a result of the merger, Delta and Northwest reduced the number of gates occupied by the combined airline at the Airport from five to four. For the year ended December 31, 2009, Delta reported a net loss of \$1.2 billion. According to the notes to Delta's 2009 financial statements, Delta still anticipates several operational and financial benefits from the merger with Northwest.

On September 27, 2010, Southwest announced a proposal to acquire AirTran. For more information about the potential acquisition, see "Southwest's Potential Acquisition of AirTran" below.

On October 1, 2010, Continental Airlines, Inc. became a wholly-owned subsidiary of United Continental Holdings, Inc. (formerly UAL Corporation, the parent company of United Airlines, Inc.). As a result of this merger, United and Continental now operate under the same parent company and have commenced a full integration of the two airlines. Continental and United expect customers to see a more unified product in the spring of 2011. According to the press release issued on October 1, 2010, United and Continental collectively operate 5,800 flights a day to 371 airports throughout the Americas, Europe and Asia from their hubs in Chicago, Cleveland, Denver, Guam, Houston, Los Angeles, New York, San Francisco, Tokyo and Washington D.C.

In addition to the mergers, acquisitions and consolidations described above, various other airline merger combinations have been rumored. Any such further airline consolidation could change airline service patterns at the airports that such airlines operate (including the Airport).

Alliances, joint ventures and other marketing arrangements provide airlines with many of the advantages of mergers and all of the large U.S. network airlines are members of such alliances with foreign-flag airlines. Alliances typically involve marketing, code-sharing and scheduling arrangements to facilitate the transfer of passengers between airlines. Joint ventures involve even closer cooperation and the sharing of costs and revenues of certain routes. Such joint ventures and alliances could impact the number of flights to and from the Airport by the large U.S. network airlines.

Southwest's Potential Acquisition of AirTran

Southwest announced on September 27, 2010 that it entered into a definitive agreement to acquire all of the outstanding common stock of AirTran Holdings, Inc., the parent company of AirTran Airways ("AirTran"), for \$1.4 billion in a combination of cash and Southwest common stock. The agreement has been unanimously approved by the boards of directors of each company, and closing is subject to the approval of AirTran stockholders, receipt of certain regulatory clearances, and fulfillment of customary closing conditions. Subject to these approvals and conditions precedent, the airlines expect that full integration of operations will take up to two years.

According to the press release issued by Southwest on September 27, 2010, the combined airlines will serve more than 100 million customers annually from more than 100 different airports in the US and near-international destinations. As of September 2010, Southwest and AirTran, collectively, operated a fleet of 685 aircrafts. It has been reported that the combined airline would adopt Southwest's branding and service policies.

AirTran does not currently operate at the Airport but does operate at Hartsfield-Jackson Atlanta International Airport in the City of Atlanta, Georgia (the "Atlanta Airport") and Huntsville International Airport in the City of Huntsville, Alabama, including 202 daily departures from the Atlanta Airport as of September 30, 2010. The Atlanta Airport is, by far, the most important airport in AirTran's system, accounting for approximately the same number of daily seats as the next five airports combined, and accounting for most of AirTran's system wide connecting activity. AirTran's Atlanta hub operation ranks as the 15th busiest in the nation in terms of scheduled departing seats. In recent years, AirTran has increased its Atlanta market share and, as of July 2010, accounted for 16.8% of scheduled departing seats at the Atlanta Airport. According to data reported by AirTran to the U.S. Department of Transportation, about 90% of AirTran's 2009 system wide connecting passengers connected at the Atlanta Airport. According to schedules published by Official Airline Guides, Inc. for the full year 2010, the Atlanta Airport would account for approximately 4.9% of departing seat capacity in a combined Southwest-AirTran system, which represents a higher share than any other airport other than Las Vegas, Chicago Midway and Baltimore-Washington International. In light of AirTran's market share and level of passenger traffic at the Atlanta Airport, the combination of Southwest and AirTran could result in a reduction of Southwest enplaned passengers at the Airport. For more information about the Airport's competition from the Atlanta Airport, see "Competition Among Airports" below.

The Airport Consultant presented three air traffic forecast scenarios (a base scenario, a low scenario and a high scenario) in the Feasibility Report based upon different assumptions regarding the pace of economic recovery in the United States. Since the Airport Consultant cannot predict the implications of Southwest's potential acquisition of AirTran, the Feasibility Report's low scenario simulates a potential adverse impact on air traffic at the Airport as a result of service consolidations by Southwest at the other nearby commercial service airports (Atlanta and Huntsville) currently served by AirTran, should the acquisition occur. The Feasibility Report's low scenario assumes a 25 percent reduction in forecasted enplanements for Southwest, beginning fiscal year 2012. See Section

IV of the Feasibility Report attached hereto as APPENDIX H for additional information about projected enplanements and the assumptions made by the Airport Consultant in developing these projections.

Neither the Underwriters nor the Authority can predict at this time the implications and financial impact, if any, of the potential acquisition on the Airport or whether the acquisition will in fact occur. Prospective purchasers of the Series 2010 Bonds are encouraged to review the information concerning the proposed acquisition that is available from the SEC, including the recent SEC filings made by Southwest and AirTran. Southwest and AirTran file annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and certain other reports and information with the SEC. Copies of the reports and other information filed with the SEC can be obtained in electronic form on the SEC website at <https://www.sec.gov/edgar.shtml>. In addition, copies of these SEC filings can be obtained using the following methods to contact the Office of Investor Education and Advocacy: (a) submit the online form on the SEC website, (b) send an email to publicinfo@sec.gov, (c) send a fax to (202) 772-9295 or (d) submit a written request to U.S. Securities and Exchange Commission, Office of Investor Education and Advocacy, 100 F Street N.E., Washington, D.C. 20549-0213. Neither the Underwriters nor the Authority undertake any responsibility for the correctness or completeness of such information and filings.

Competition Among Airports

Despite being the major commercial airport in Alabama, the Airport does receive competition from the Atlanta Airport, Huntsville International Airport and Montgomery Regional Airport (in the City of Montgomery, Alabama). Some regional passengers of the Airport are driving to alternate airports because they are able to obtain more competitive fares and/or use airlines not currently available at the Airport. There are also non-hub airports in Northeast Alabama and Eastern Mississippi between 115 and 150 miles the Airport that have limited scheduled regional service to Atlanta. According to Airports Council International, the Atlanta Airport was the busiest passenger airport in the United States in 2009 with approximately 88 million total passengers (enplaned plus deplaned). Birmingham is located approximately 150 miles west of Atlanta, Georgia, approximately 100 miles south of Huntsville, Alabama and approximately 100 miles north of Montgomery, Alabama. Additionally, interstates directly connect Birmingham with Atlanta, Montgomery and Huntsville, providing easy access for Birmingham passengers to drive to alternate airports. For more information about these competing airports, see the Feasibility Report attached hereto as APPENDIX H.

Environmental Regulations

The FAA has jurisdiction over flying operations generally, including personnel, aircraft, ground facilities and other technical matters, as well as certain environmental matters. Under the FAA's noise reduction regulations, the air transportation industry is under a mandate to gradually replace or retrofit Stage 2 (noisier) aircraft in order to quiet fleet operations. Airport noise remains a significant federal and local issue at certain airports, including the Airport, which may require substantial capital investments by the industry and/or airport operators, including the Authority, from time to time to meet applicable standards. Finally, other environmental regulations of general applicability (such as hazardous waste handling and disposition requirements, underground storage tank rules, storm water permitting requirements, and the like) which are enforced by the Federal Environmental Protection Agency and the Alabama Department of Environmental Management, not the FAA, apply to the Airport; compliance with those requirements may impose costs from time to time.

Airport Capacity Provided at Birmingham

In addition to other future constraints that may affect future growth in airline traffic at Birmingham, the growth in traffic at the Airport could, in the long term, be affected by the capacity of the Airport itself. The Authority anticipates that the Capital Improvement Program (and the TMP Improvements) will accommodate future growth in airline traffic at the Airport. Studies prepared by the Authority indicate that existing airfield capacity will be sufficient to accommodate growth in aircraft operations for the foreseeable future. See "CAPITAL IMPROVEMENT PLAN" herein.

Cost of Improvements and Equipment within Capital Improvement Plan

The estimated costs of, and the projected schedule for, the Capital Improvement Plan are subject to a number of uncertainties. The ability of the Authority to complete the Capital Improvement Plan and the Authority's

other capital projects may be adversely affected by various factors including (i) estimating errors, (ii) design and engineering errors, (iii) changes to the scope of the Capital Improvement Plan, (iv) delays in the contract awards, (v) material and/or labor shortages, (vi) unforeseen site conditions, (vii) adverse weather conditions, (viii) contractor defaults, (ix) labor disputes, (x) unanticipated levels of inflation and (xi) environmental and/or permitting issues. No assurance can be made that the Capital Improvement Plan (and the various components and projects thereof, including the TMP Improvements) will not cost more than the current budget for the Capital Improvement Plan (and such components and projects thereof). Any schedule delays or cost increases could result in the need to issue Additional Bonds and may result in increased costs per enplaned passenger to the airlines, thereby making the Airport less economically competitive.

Limitation of Remedies

Under the terms of the Indenture, the remedies available to the Trustee and Holders of the Series 2010 Bonds upon the occurrence of an Event of Default are limited. Additionally, no mortgage or security interest has been granted or lien created in the Airport to secure the payment of the Series 2010 Bonds.

Various state laws, constitutional provisions, and federal laws and regulations apply to the obligations created by the issuance of the Series 2010 Bonds. There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws and provisions will not be changed, interpreted, or supplemented in a manner that would have a material adverse effect, directly or indirectly, on the affairs of the Authority, the Airport or the payment of Net Revenues.

In the event of a default in the payment of principal of or interest on the Series 2010 Bonds, the remedies available to the owners of the Bonds upon a default are in many respects dependent upon judicial action, which is often subject to discretion and delay under existing constitutional law, statutory law, and judicial decisions, including the federal Bankruptcy Code. Co-Bond Counsel's opinion to be delivered concurrently with delivery of the Series 2010 Bonds will be qualified as to enforceability of the various legal instruments by certain limitations, including limitations imposed by bankruptcy, reorganization, insolvency, and equity principles.

Secondary Market

No assurance can be given concerning the existence of any secondary market for the Series 2010 Bonds or its creation or maintenance by the Underwriters. Thus, purchasers of Series 2010 Bonds should be prepared, if necessary, to hold their Series 2010 Bonds until their respective maturity dates.

Feasibility Report

The Feasibility Report included as APPENDIX H to this Offering Memorandum contains certain assumptions and forecasts. Actual results are likely to differ, perhaps materially, from those forecasts. Accordingly, the forecasts contained in the Feasibility Report are not necessarily indicative of future performance, and none of the Underwriters, the Airport Consultant or the Authority assumes any responsibility for the failure to meet such forecasts. In addition, certain assumptions with respect to future business and financing decisions of the Authority are subject to change. If actual results are less favorable than the results forecast in the Feasibility Report, or if the assumptions used in preparing such forecasts prove to be incorrect, the amount of Net Revenues and PFC Monies may be materially less than expected and, consequently, the ability to make timely payments of the principal of and interest on the Series 2010 Bonds from Net Revenues and/or transfers from the PFC Account may be materially adversely affected. See "REPORT OF THE AIRPORT CONSULTANT".

Bond Insurer

The ability of the Bond Insurer to provide funds to make principal and interest payments on the Insured Series 2010 Bonds in accordance with the municipal bond insurance policy issued thereby is based solely upon the Bond Insurer's general credit, and is not secured or otherwise guaranteed by any other entity or amounts. The Authority is under no obligation to supply, or cause to be supplied, an alternate insurance policy if the Bond Insurer fails to pay as required under the said municipal bond insurance policy, or becomes insolvent or bankrupt, or if the ratings on the Insured Series 2010 Bonds are reduced or withdrawn. Prospective purchasers of the Insured Series 2010 Bonds should analyze the financial condition of the Bond Insurer carefully to determine whether it has the

ability to make payments required under the said municipal bond insurance policy. For a description of the Bond Insurer, see "BOND INSURANCE".

Forward Looking Statements

This Offering Memorandum, including particularly the Feasibility Report, contains statements relating to future results that are "forward-looking statements". When used in this Offering Memorandum, the words "estimate", "anticipate", "intend", "expect", "projection" and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause the actual results to differ materially from those contemplated in such forward-looking statements. See "FORWARD LOOKING STATEMENTS".

CONTINUING DISCLOSURE

General

The Authority will enter into a continuing disclosure agreement (the "CDA") for the benefit of the Bondholders meeting the requirements for such agreements set forth in SEC Rule 15c2-12 (the "Rule"). A summary of the proposed CDA is attached as APPENDIX G. The CDA will require the Authority to provide only limited information at specified times, and such information may not constitute all information necessary to determine the value at any time of the Series 2010 Bonds. Informational filings under the CDA will be made through the Electronic Municipal Market Access ("EMMA") system, established by the Municipal Securities Rulemaking Authority. The terms under which the CDA may be amended are set forth therein. The Authority may, in its discretion, file additional information, but it is not obligated to provide such additional information for the benefit of the holders of the Series 2010 Bonds.

The intent of the Authority's undertaking in the CDA is to provide on a continuing basis the information described in the Rule. Accordingly, the Authority has reserved the right to modify the disclosure hereunder or format thereof so long as any such modification is made in a manner consistent with the Rule. Furthermore, to the extent that the Rule no longer requires the issuers of municipal securities to provide all or any portion of the information the Authority has agreed to provide in the CDA, the obligation of the Authority to provide such information under the CDA also shall cease immediately.

The Authority has executed the CDA for the express purpose of conforming to the requirements of the Rule and not to create new contractual or other rights for the Trustee, any registered owner or beneficial owner of the Series 2010 Bonds, any municipal securities broker or dealer, any potential purchaser of the Series 2010 Bonds, the Securities and Exchange Commission or any other person. The sole remedy in the event of any actual or alleged failure by the Authority to comply with any provision of the CDA shall be an action for the specific performance of the Authority's obligations thereunder and not for money damages in any amount. Any failure by the Authority to comply with any provision of its undertakings shall not constitute an event of default under the Indenture.

Authority Compliance with Prior Undertakings

The Authority has filed its Annual Financial Information as required by Rule 15c2-12 for the fiscal years ended June 30, 2005 through 2010, and except as indicated below, has otherwise complied with the terms of the Authority's Continuing Disclosure Agreements executed by the Authority in connection with the issuance of each of the Series 2003-A Bonds, the Series 2003-B Bonds and the Series 2007 Bonds.

The Insured Series 2010 Bonds will be secured by a municipal bond insurance policy issued by the Bond Insurer. The Series 2003-A Bonds and the Series 2003-B Bonds are secured by a municipal bond insurance policy issued by the Bond Insurer (such insurance having been delivered formerly by Financial Security Assurance, Inc.), and the Authority's Series 2007 Bonds are secured by a bond insurance policy issued by Ambac Assurance Corporation ("Ambac"). The credit ratings of the Bond Insurer and Ambac have been downgraded at various times in the past 30 months, and most recently Ambac filed for Chapter 11 bankruptcy protection. Information about the downgrades and the said filing for Chapter 11 bankruptcy protection by Ambac was publicly reported. The Authority may not have filed a continuing disclosure notice with respect to each downgrade.

No Continuing Disclosure Undertakings by Airlines

No airline has made any agreement regarding the continuing disclosure of information for the benefit of the holders and beneficial owners of the Series 2010 Bonds. However, certain of the major domestic airlines (or their respective parent corporations) are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended, and thus must file reports and other information with the Commission. See "AIR TRAFFIC – Airline Concerns" herein". In addition, pursuant to Commission Rule 15c2-12 certain airlines may have agreed to continuing disclosure undertakings in connection with the issuance and sale of obligations other than the Series 2010 Bonds. In those instances, the airlines would have undertaken, in a written agreement or contract for the benefit of the holders of such obligations, to provide to various information repositories certain annual financial information and operating data, including audited financial statements, and to provide notice to such repositories and the MSRB of certain specified material events. Such information is available to securities brokers and others who subscribe to receive the information from such repositories.

LEGAL MATTERS

Litigation

No action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending, or to the best of the Authority's knowledge, threatened against or affecting the Authority or, to the best of the Authority's knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by this Offering Memorandum or the validity of the Series 2010 Bonds, the improvements and equipment to be constructed and acquired as part of the Capital Improvement Plan, the Indenture or any agreement or instrument to which the Authority is a party and which is used or contemplated for use in the transactions contemplated by this Offering Memorandum. The Authority's Co-Counsel will deliver opinions and the Authority will deliver a certificate to this effect at the time of the Authority's issuance of the Series 2010 Bonds.

Opinions of Counsel

The legality and validity of the Series 2010 Bonds will be passed upon by Balch & Bingham LLP and Thomas, Means, Gillis & Seay, P.C., as Co-Bond Counsel. The proposed form of the legal opinion to be delivered by Co-Bond Counsel at closing is attached hereto as APPENDIX D. Certain legal matters will be passed on for the Authority by Jones and Berry P.C., Birmingham, Alabama, and Maynard, Cooper & Gale, P.C., Birmingham, Alabama, as Co-Counsel to the Authority. Certain legal matters will be passed on for the Underwriters by Bradley Arant Boult Cummings LLP, Birmingham, Alabama, and Yvonne Green Davis, P.C., Birmingham, Alabama, as Co-Counsel to the Underwriters.

UNDERWRITING

The Series 2010 Bonds are being purchased by the Underwriters shown on the cover page of this Offering Memorandum (the "Underwriters") at a purchase price of \$148,955,940.42, which reflects a net original issue discount of \$1,736,428.95 and an underwriting discount of \$1,012,630.63. The Underwriters may offer and sell the Series 2010 Bonds to certain dealers (including dealers depositing the Series 2010 Bonds into investment trusts) and others at prices lower than the initial public offering prices stated on the inside of the cover page hereof. The public offering prices may be changed from time to time by the Underwriters.

RATINGS

Moody's Investor Services, Inc. ("Moody's") and Fitch, Inc. ("Fitch") have assigned underlying ratings to the Series 2010 Bonds of "A3" and "A-", respectively. Additionally, Moody's and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies ("S&P") are expected to assign the Insured Series 2010 Bonds (*i.e.*, those of the Series 2010 Bonds scheduled to mature in 2014 and thereafter) a rating of "Aa3" (negative

outlook) and "AA+" (stable outlook), respectively, with the understanding that, upon delivery of the Insured Series 2010 Bonds, a policy guaranteeing the payment of the scheduled principal of and interest on the Insured Series 2010 Bonds when due will be issued by Assured Guaranty Municipal Corp. (formerly known as Financial Security Assurance Inc.). See APPENDIX F – "SPECIMEN MUNICIPAL BOND INSURANCE POLICY". See also "BOND INSURANCE" herein.

An explanation of these ratings may be obtained only from S&P, Moody's and Fitch. There is no assurance that the ratings on the Series 2010 Bonds (including, without limitation, the Insured Series 2010 Bonds) will remain in effect for any given period of time or that the ratings will not be revised downward or withdrawn entirely by S&P, Moody's or Fitch if, in the judgment of either, the circumstances so warrant. Any explanation of the significance of the ratings on the Series 2010 Bonds (including, without limitation, the Insured Series 2010 Bonds) may be obtained from S&P, Moody's and Fitch. No application has been made to any other rating agency for the purpose of obtaining an additional rating on the Series 2010 Bonds, or any of them.

A rating reflects only the view of the rating agency and an explanation of the significance of such ratings may be obtained from the respective rating agencies. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or all of the said rating agencies, if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2010 Bonds (including, without limitation, the Insured Series 2010 Bonds). The Authority and the Underwriters have undertaken no responsibility to bring to the attention of the owners of the Series 2010 Bonds (including, without limitation, the Insured Series 2010 Bonds) any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

TAX MATTERS

General

In the opinion of each of Balch & Bingham LLP and Thomas, Means, Gillis & Seay, P.C., in their respective capacities as Co-Bond Counsel to the Authority, and subject to certain qualifications hereinafter set forth, under existing laws, rulings, regulations and court decisions, interest on the Series 2010 Bonds will be excluded from gross income for federal income tax purposes, except for interest on any Series 2010 Bond during any period while it is held by a "substantial user" of the facilities financed by the Series 2010 Bonds or a "related person" within the meaning of Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). In addition to the foregoing exception, the opinion referred to in the first sentence of this paragraph is subject to the condition that the Authority comply with all requirements of the Internal Revenue Code that must be satisfied subsequent to the issuance and sale of the Series 2010 Bonds in order that interest thereon be and remain excluded from gross income. Failure to comply with certain of such requirements could cause the interest on the Series 2010 Bonds to be included in gross income, retroactive to the date of issuance of the Series 2010 Bonds. The Authority has covenanted to comply with all such requirements

Co-Bond Counsel is also of the opinion that, under existing law, interest on the Series 2010 Bonds will not be an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, and such interest will not be taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations.

Co-Bond Counsel will express no opinion regarding federal tax consequences arising with regard to the Series 2010 Bonds other than the opinions expressed in the two preceding paragraphs. The form of approval opinion to be provided by each Co-Bond Counsel is expected to be substantially as set forth in APPENDIX D to this Offering Memorandum.

Prospective purchasers of the Series 2010 Bonds should be aware that ownership of the Series 2010 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income", foreign corporations subject to a branch profits tax and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or

carry the Series 2010 Bonds. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Series 2010 Bonds should consult their tax advisors as to collateral federal income tax consequences.

Each of Co-Bond Counsel is also of the opinion that, under existing law, interest on the Series 2010 Bonds will be exempt from State of Alabama income taxation.

Certain Collateral Federal Tax Consequences

The following is a brief discussion of certain collateral federal income tax matters with respect to the Series 2010 Bonds. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a Series 2010 Bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2010 Bonds.

Prospective owners of the Series 2010 Bonds should be aware that the ownership of such obligations may result in collateral federal income tax consequences to various categories of persons, such as corporations (including S corporations and foreign corporations), financial institutions, property and casualty and life insurance companies, individual recipients of Social Security and railroad retirement benefits, individuals otherwise eligible for the earned income tax credit, and taxpayers deemed to have incurred or continued indebtedness to purchase or carry obligations the interest on which is not included in gross income for Federal income tax purposes. Interest on the Series 2010 Bonds may be taken into account in determining the tax liability of foreign corporations subject to the branch profits tax imposed by Section 884 of the Code.

Original Issue Discount

Under existing law, the original issue discount in the selling price of a Series 2010 Bond, to the extent properly allocable to each owner of such Series 2010 Bond, is excluded from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Series 2010 Bond over the initial offering price to the public, excluding underwriters and other intermediaries, at which price a substantial amount of the Series 2010 Bonds of such maturity were sold.

Under Section 1288 of the Internal Revenue Code of 1986, as amended, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner of a Series 2010 Bond during any accrual period generally equals (i) the issue price of such Series 2010 Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (ii) the yield to maturity of such Series 2010 Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), less (iii) any interest payable on such Series 2010 Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excluded from gross income for federal income tax purposes, and will increase the owner's tax basis in such Series 2010 Bond. Any gain realized by an owner from a sale, exchange, payment or redemption of a Series 2010 Bond will be treated as gain from the sale or exchange of such Series 2010 Bond.

Premium

An amount equal to the excess of the purchase price of the Series 2010 Bond over its stated redemption price at maturity constitutes premium on such Series 2010 Bond. A purchaser of a Series 2010 Bond must amortize any premium over such Series 2010 Bond's term using constant yield principles, based on the purchaser's yield to maturity. As premium is amortized, the purchaser's basis in such Series 2010 Bond is reduced by a corresponding amount, resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Series 2010 Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2010 Bonds at a premium, whether at the time of initial issuance or subsequent thereto, should consult with their own tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Series 2010 Bonds.

Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2010 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments made after March 31, 2007 to any bondholder who fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The new reporting requirement does not in and of itself affect or alter the excludability of interest on the Series 2010 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Series 2010 Bonds Not Bank Qualified

The Series 2010 Bonds have not been designated as "qualified tax-exempt obligations" under Section 265 of the Code.

AUDITED FINANCIAL STATEMENTS

The financial statements of the Authority as of and for the year ended June 30, 2010 attached to this Offering Memorandum as APPENDIX B have been audited by Banks, Finley, White & Co., independent certified public accountants, as stated in their report that is also attached as APPENDIX B to this Offering Memorandum. The financial statements of the Authority have been included in reliance upon such report of Banks, Finley, White & Co. and with reliance upon their authority as experts in accounting and auditing.

FINANCIAL ADVISOR

Waters and Company, LLC, Birmingham, Alabama, is serving as Financial Advisor to the Authority with respect to the issuance of the Series 2010 Bonds. The Financial Advisor assisted in the preparation of this Offering Memorandum and in other matters relating to the planning, structuring and issuance of the Series 2010 Bonds and reviewed and commented on certain legal documentation relating thereto, including this Offering Memorandum. The Financial Advisor also provided other advice to the Authority unrelated to the Series 2010 Bonds.

AIRPORT CONSULTANT

Unison Consulting, Inc., Chicago, Illinois, is serving as Airport Consultant to the Authority with respect to the issuance of the Series 2010 Bonds. The Airport Consultant developed certain projections regarding the Net Revenues and PFC Monies expected to be available to pay principal and interest on the Series 2010 Bonds, which projections are included herein and in the Feasibility Report prepared by the Airport Consultant and attached as APPENDIX H to this Offering Memorandum. The Airport Consultant also assisted in the preparation of this Offering Memorandum and in other matters relating to the planning, structuring and issuance of the Series 2010 Bonds. The Airport Consultant also provided other advice to the Authority unrelated to the Series 2010 Bonds.

FORWARD-LOOKING STATEMENTS

The statements contained in this Offering Memorandum, and in any other information provided by the Authority or the Airport Consultant, that are not purely historical, are forward-looking statements, including statements regarding the Authority's or Airport Consultant's expectations, projections, hopes, intentions or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Offering Memorandum are based on information available to the Authority on the date hereof, and the Authority assumes no obligation to update any such forward-looking statements. It is important to

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APPENDIX A

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION

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APPENDIX A

CERTAIN ECONOMIC AND DEMOGRAPHIC INFORMATION

General

Birmingham-Shuttlesworth International Airport is located in the City of Birmingham, Alabama (the "City" or "Birmingham"), which is the most populous city in the State, with a 2000 Census population of 242,820 and an estimated 2009 population of 230,131. The City is the county seat of Jefferson County (the "County" or "Jefferson County") and is located in north central Alabama within 200 miles of Atlanta, Georgia, Nashville, Tennessee, Memphis, Tennessee and Montgomery, Alabama.

In 2000, the Birmingham Metropolitan Statistical Area ("MSA") was expanded to include additional counties and was officially designated the Birmingham-Hoover MSA by the federal Office of Management and Budget. The Birmingham-Hoover MSA encompasses seven counties - Bibb, Blount, Chilton, Jefferson, St. Clair, Shelby and Walker – and a total land area of approximately 5,300 square miles. The Birmingham-Hoover MSA had an estimated population in 2009 of 1,131,070. Jefferson County, which is the geographic center of the Birmingham-Hoover MSA, accounted for 59 percent of the MSA's total population in 2009.

Birmingham is the principal health care, financial, transportation, distribution and wholesale and retail center of the State. The University of Alabama at Birmingham Hospital and the facilities of Birmingham's other hospitals serve as a State and regional center for health care.

The economic and demographic information included in this Appendix A demonstrates generally that the population of the City is declining but that population in the Birmingham-Hoover MSA is growing.

Population

The Birmingham-Hoover MSA is the largest MSA in the State of Alabama by population, representing approximately 24 percent of the state's total population. The Birmingham-Hoover MSA has experienced steady population growth in recent decades. Although the City experienced a 13.5 percent loss in population between 1990 and 2009, the Birmingham-Hoover MSA population grew 18.2 percent during that same period. The suburban counties of Blount, Shelby and St. Clair experienced some of the fastest population growth in the State. Population growth in the Birmingham-Hoover MSA has been consistent with the U.S. average, and continued growth is projected due in part to the attractive low cost of living. The following table summarizes historical population trends for the City, Jefferson County, the Birmingham-Hoover MSA and the State of Alabama.

	<u>1970</u>	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2009*</u>
Birmingham	300,910	286,799	265,968	242,820	230,131
Jefferson County	644,991	671,324	651,527	662,047	665,027
Birmingham-Hoover MSA	794,083	884,040	956,858	1,052,238	1,131,070
Alabama	3,444,165	3,893,888	4,040,587	4,447,100	4,708,708

*2009 population estimates were released September 2010.

Source: U.S. Census Bureau; Alabama Department of Industrial Relations.

Employment Statistics

Since 1970 the City and Jefferson County have undergone restructuring from a manufacturing-based to a service-based economy. During that time, there have been significant declines in durable goods manufacturing, particularly in the steel industry. The local economy, however, has become more diversified as a result of significant growth in fields such as health services and health sciences research. The following table presents comparative unemployment statistics for the time periods indicated (in thousands), using the figure "100" as a constant representing a level of employment equal to 100 percent employment within the City:

COMPARATIVE EMPLOYMENT TRENDS

Annual Average Labor Force Estimates

City of Birmingham

Employment Status	2004	2005	2006	2007	2008	2009	2010*
Civilian Labor Force	108,236	101,229	101,134	100,259	97,866	95,987	94,004
Employment	100,221	94,478	96,725	95,960	91,784	84,781	82,526
Unemployment	8,015	4,751	4,409	4,299	6,082	11,206	11,478
Rate	7.4	4.7	4.4	4.3	6.2	11.7	12.2

* Estimates as of August, 2010. Estimates prepared by the Alabama Department of Industrial Relations in Cooperation with the Bureau of Labor Statistics, based on 2009 benchmark.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Note: Unemployment rates computed using unrounded data; not seasonally adjusted.

Birmingham – Hoover MSA

Employment Status	2004	2005	2006	2007	2008	2009	2010*
Civilian Labor Force	524,631	527,688	537,848	536,669	528,330	513,686	502,858
Employment	501,658	509,277	520,536	519,712	504,007	465,551	453,170
Unemployment	22,973	18,411	17,312	16,957	24,323	48,135	49,688
Rate	4.4	3.5	3.2	3.2	4.6	9.4	9.9

* Estimates as of August, 2010. Estimates prepared by the Alabama Department of Industrial Relations in Cooperation with the Bureau of Labor Statistics, based on 2009 benchmark.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Note: Unemployment rates computed using unrounded data; not seasonally adjusted.

Jefferson County

Employment Status	2004	2005	2006	2007	2008	2009	2010*
Civilian Labor Force	317,073	315,476	318,029	315,828	308,742	300,663	294,105
Employment	302,119	303,569	306,999	305,054	293,489	271,096	30,219
Unemployment	14,954	11,907	11,030	10,774	15,253	29,567	30,219
Rate	4.7	3.8	3.5	3.4	4.9	9.8	10.3

* Estimates as of August, 2010. Estimates prepared by the Alabama Department of Industrial Relations in Cooperation with the Bureau of Labor Statistics, based on 2009 benchmark.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Note: Unemployment rates computed using unrounded data; not seasonally adjusted.

Shelby County

Employment Status	2004	2005	2006	2007	2008	2009	2010*
Civilian Labor Force	90,802	94,334	98,971	100,141	100,374	96,403	94,436
Employment	88,072	91,876	96,633	97,829	96,945	89,548	87,167
Unemployment	2,730	2,462	2,338	2,312	3,429	6,855	7,269
Rate	3.0	2.6	2.4	2.3	3.4	7.1	7.7

* Estimates as of August, 2010. Estimates prepared by the Alabama Department of Industrial Relations in Cooperation with the Bureau of Labor Statistics, based on 2009 benchmark.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Note: Unemployment rates computed using unrounded data; not seasonally adjusted.

State of Alabama

Employment Status	2004	2005	2006	2007	2008	2009	2010*
Civilian Labor Force	2,113,781	2,133,177	2,176,529	2,182,823	2,155,941	2,112,566	2,085,961
Employment	2,007,153	2,051,893	2,100,558	2,106,041	2,044,406	1,900,148	1,869,241
Unemployment	106,628	81,284	75,971	76,782	111,535	212,418	216,720
Rate	5.0	3.8	3.5	3.5	5.2	10.1	10.4

* Estimates as of August, 2010. Estimates prepared by the Alabama Department of Industrial Relations in Cooperation with the Bureau of Labor Statistics, based on 2009 benchmark.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Note: Unemployment rates computed using unrounded data; not seasonally adjusted.

United States

Employment Status	2004	2005	2006	2007	2008	2009	2010*
Civilian Labor Force	147,401,000	149,320,333	151,427,583	153,124,334	154,286,750	154,142,083	154,038,000
Employment	139,252,000	141,729,750	144,427,000	146,046,667	145,362,500	139,877,500	138,841,000
Unemployment	8,149,000	7,590,583	7,000,583	7,077,667	8,924,250	14,264,583	15,197,000
Rate	5.5	5.1	4.6	4.6	5.8	9.3	9.9

* Estimates as of August, 2010. Estimates prepared by the Alabama Department of Industrial Relations in Cooperation with the Bureau of Labor Statistics, based on 2009 benchmark.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Note: Unemployment rates computed using unrounded data; not seasonally adjusted.

The following table lists the 22 largest employers in the Birmingham-Hoover MSA in 2010:

BIRMINGHAM-HOOVER MSA LARGEST EMPLOYERS 2010

Employer	Product/Service	Approximate Number of Employees
University of Alabama at Birmingham	Education, Healthcare	18,439
Regions Financial Corporation	Banking and Financial Services	6,000
AT&T	Telecommunications	4,700
St. Vincent's Health System	Healthcare and Management Services	4,662
City of Birmingham	City Government	4,544
Jefferson County Board of Education	County Public Schools	4,500
Baptist Health System, Inc.	Healthcare and Management Services	4,370
Honda Manufacturing of Alabama, LLC	Automobile Manufacturing	4,000
Jefferson County Commission	County Government	3,800
Children's Health System	Healthcare and Management Services	3,713
Shelby County Board of Education	County Public Schools	3,429
Birmingham City Board of Education	City Public Schools	3,300
BlueCross BlueShield of Alabama	Insurance	3,281
BBVA Compass	Banking and Financial Services	3,007
Mercedes-Benz U.S. International, Inc.*	Automobile Manufacturing	2,992
University of Alabama Health Services Foundation	Healthcare and Management Services	2,900
United States Postal Service	Mail Service	2,800
Brookwood Medical Center	Healthcare and Management Services	2,600

American Cast Iron and Pipe Co.	Metal Fabricating	2,000
Hoover City Board of Education	City Public Schools	2,000
Alabama Power Company	Electric, Gas and Sanitary Services	1,845
U.S. Steel-Fairfield Works	Manufacturing	1,800

Source: Birmingham Business Alliance, Released November 5, 2010

* Located outside the Birmingham-Hoover MSA.

The following table sets forth major industry statistics for the Birmingham-Hoover MSA as of the fourth quarter, 2009:

Birmingham-Hoover MSA Employment by Industry

	Total Number Employed	Percentage of Overall Employment
Health Care and Social Assistance	68,627	15.5
Retail Trade	57,974	14.1
Manufacturing	36,138	9.2
Accommodation and Food Services	36,714	8.7
Finance and Insurance	29,058	6.8
Construction	22,750	6.4
Admin., Support, Waste Management, Remediation	23,149	6.0
Educational Services	40,975	8.9
Wholesale Trade	24,237	6.0
Professional, Scientific & Technical Services	24,450	5.9
Public Administration	24,802	5.6
Transportation and Warehousing	15,005	3.6
Other Services (except Public Admin.)	13,473	3.2
Information	9,650	2.4
Utilities	8,287	1.9
Management of Companies and Enterprises	8,217	1.8
Real Estate and Rental and Leasing	6,374	1.6
Arts, Entertainment, and Recreation	6,355	1.1
Agriculture, Forestry, Fishing & Hunting	933	0.2
Mining	2,415	0.5
Total wage and salary employees	459,582	100.0%

Source: Alabama Department of Industrial Relations

The area's 21 hospitals and numerous specialized health care facilities have turned Birmingham into a major medical center. The University of Alabama at Birmingham ("UAB"), the area's largest employer, is home to a world-known patient-care and research medical center. The Kirklin Clinic, opened in June 1992 by the University of Alabama Health Services Foundation, has enhanced Birmingham's reputation in healthcare and includes more than 30 distinct clinical units of multidisciplinary teams.

Within the past three years, UAB spent over \$275 million dollars on improvements and expansion of its Hospital and research facilities and over \$90 million to construct a new biomedical research facility. Additionally, UAB completed a 430,000 square foot Women and Infants Center aimed at improving the health and lives of the women and infants of the state and region.

In addition to healthcare, Birmingham hosts a significant number of high-technology firms involved in industries such as telecommunications, engineering, aerospace design and computer services. Southern Research Institute, located on Birmingham's Southside, is the largest nonprofit independent research laboratory in the Southeast. The University of Alabama at Birmingham is ranked in the top 30 universities receiving federal research and development funds and is ranked 22nd among institutions receiving funding from the National Institutes of Health.

Per Capita Personal Income

Per capita personal income is defined as the current income from all sources received by one resident in an area. It is measured before deduction of income and other personal taxes, but after deduction of personal contributions for social security, government retirement, and other social insurance programs. Per capita personal income in the Birmingham-Hoover MSA and the County was above the State average in 2008. Per capita personal income in the Birmingham-Hoover MSA was slightly below the national average in 2008, while per capita personal income in the County was above the national average in 2008. See page III-10 of the Feasibility Report attached as Appendix H to the Offering Memorandum for a graph illustrating per capital personal income between 1991 and 2009 for the Birmingham-Hoover MSA, the State and the United States.

The following chart provides a comparison of per capita personal income among Jefferson County, the Birmingham-Hoover MSA, the State and the United States:

	<u>Jefferson County</u>		<u>Birmingham-Hoover MSA*</u>		<u>State of Alabama</u>		<u>United States</u>	
	<u>Income</u>	<u>% of National Average</u>	<u>Income</u>	<u>% of National Average</u>	<u>Income</u>	<u>% of National Average</u>	<u>Income</u>	<u>% of National Average</u>
2008	\$43,180	108%	\$39,886	99%	\$33,655	84%	\$40,166	100%
2007	42,551	108%	39,229	100%	32,803	83%	39,392	100%
2006	41,370	110%	37,922	101%	31,415	83%	37,698	100%
2005	39,005	110%	35,947	101%	29,838	84%	35,424	100%
2004	37,482	111%	34,230	101%	28,370	84%	33,881	100%
2003	34,728	108%	31,841	99%	26,729	83%	32,271	100%
2002	33,799	107%	31,055	99%	25,802	82%	31,462	100%
2001	32,295	104%	29,992	96%	25,090	81%	31,145	100%
2000	31,235	103%	28,976	96%	24,069	79%	30,318	100%
1999	28,722	101%	27,131	96%	22,961	81%	28,333	100%
1989	17,741	96%	16,794	91%	14,776	80%	18,402	100%
1979	8,756	96%	8,257	90%	7,139	78%	9,138	100%
1969	3,378	88%	3,162	82%	2,734	71%	3,836	100%

Source: U.S. Department of Commerce, Bureau of Economic Analysis

*Information for 2006-2008 is for the new Birmingham-Hoover MSA. The statistics used for years prior to 2006 are for the Birmingham MSA.

Median Family Income

Median family income is defined by the U.S. Census Bureau as the amount which divides the income distribution of families into two equal groups, half having incomes above the median, half having incomes below the median.

	National, State and Birmingham MSA Median Family Income									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
United States	\$50,200	\$52,500	\$54,400	\$56,500	\$57,500	\$58,000	\$62,400	\$59,000	\$61,500	\$64,000
State of Alabama	38,700	41,500	44,300	46,100	47,000	46,900	51,400	48,700	51,700	53,200
Birmingham-Hoover MSA*	44,000	47,900	51,100	51,100	52,700	54,200	57,400	55,500	59,100	60,900

Source: Alabama Department of Industrial Relations.

*Information for 2006-2009 is for the new Birmingham-Hoover MSA. The statistics used for years prior to 2006 are for the Birmingham MSA.

Education

The Jefferson County public school system enrolled approximately 36,246 students in 58 schools in the 2008-2009 academic year. Additionally, Jefferson County is the home of five four-year colleges and universities, four business schools and four junior colleges and trade schools. These schools have a combined enrollment of approximately 43,000.

The largest institution in Jefferson County is UAB, which includes University College, the Graduate School and the UAB Medical Center. The UAB complex, featuring a wide range of undergraduate, graduate and professional programs, is the third largest educational institution in Alabama, with a total enrollment of approximately 17,000. The UAB Medical Center hosts the schools of medicine, dentistry, nursing, optometry and public health and the School of Community and Allied Health. UAB has an annual payroll exceeding \$1.15 billion and is the largest employer in Jefferson County.

Institutions of Higher Education Jefferson County

<u>Name</u>	<u>Type</u>	<u>Enrollment</u>
Four-Year		
University of Alabama at Birmingham	State Supported	16,874
Samford University	Private	4,469
Miles College	Private	1,786
Birmingham-Southern College	Private	1,458
Virginia College	Private	5,264
Junior Colleges and Trade Schools		
Jefferson State Community College	State Supported	8,298
Lawson State Community College	State Supported	3,609
ITT Technical Institute	Private	990
Herzing College of Business & Technology	Private	293

The chart below shows for 2009 (i) the percentage of residents in the Birmingham-Hoover MSA, the State and the United States who are high school graduates and (ii) the percentage of residents age 25 or older in the Birmingham-Hoover MSA, the State and the United States who completed at least a bachelor's degree. In 2009, the Birmingham-Hoover MSA led both the State and the nation in the percentage of its residents who are high school graduates. The percentage of Birmingham-Hoover MSA residents at least 25 years of age in 2009 who have a bachelor's degree or more was slightly below the national percentage but exceeded the State percentage.

Educational Levels

	<u>Percent of Population High School Graduates</u>	<u>Percent of Population with Completed Bachelor's Degree or More*</u>
Birmingham-Hoover MSA	85.7%	27.3%
State of Alabama	82.1%	22.0%
United States	85.3%	27.9%

*25 years old or older

Source: U.S. Census Bureau 2009 American Community Survey

Housing and Construction

The City has aggressively promoted renovation and construction of its housing supply through a number of programs intended to stimulate housing.

The following table provides comparative information on the number of housing units in the City, Jefferson County, Shelby County and the Birmingham-Hoover MSA in 1980, 1990, 2000 and 2008:

Birmingham-Hoover MSA Housing Units

	<u>Housing Units</u>				<u>Percent Change</u>		
	<u>1980</u>	<u>1990</u>	<u>2000</u>	<u>2008</u>	<u>1980-1990</u>	<u>1990-2000</u>	<u>2000-2008</u>
City of Birmingham	114,503	117,691	111,927	111,398	2.8%	(4.9%)	(0.47%)
Jefferson County	259,805	273,097	288,162	310,703	5.1%	5.5%	7.6%
Shelby County	24,644	39,201	59,302	79,081	29.1%	51.3%	33.4%
Birmingham-Hoover MSA	340,968	376,897	454,338	504,642	10.5%	20.5%	11.1%

Source: U.S. Census Bureau.

See page III-14 of the Feasibility Report attached as Appendix H to the Offering Memorandum for information on the number of housing units in the Birmingham-Hoover MSA, Jefferson County, Shelby County, the State and the United States from 2000 through 2009.

Recent residential construction activities in the City and the Birmingham-Hoover MSA, respectively, are summarized in the following tables:

New Privately-Owned Residential Building Permits City of Birmingham

<u>Year</u>	<u>Single-Family</u>		<u>Multi-Family (Two or more families)</u>		
	<u>Permits Issued and Units</u>	<u>Construction Cost (000s)</u>	<u>Permits Issued</u>	<u>Units</u>	<u>Construction Cost (000s)</u>
2000	118	\$14,605	13	328	\$14,655
2001	108	13,834	2	24	1,113
2002	188	25,489	12	76	4,276
2003	152	23,868	7	238	18,180
2004	144	23,581	55	832	57,691
2005	220	39,153	22	445	34,579
2006	303	54,557	56	980	71,539
2007	232	44,084	11	234	18,884
2008	132	24,724	18	312	23,205
2009	75	13,541	21	62	6,108

Source: U.S. Census Bureau.

**New Privately-Owned Residential Building Permits
Birmingham-Hoover MSA**

<u>Year</u>	<u>Single-Family</u>		<u>Multi-Family (Two or more families)</u>	
	<u>Permits Issued and Units</u>	<u>Construction Cost (000s)</u>	<u>Units</u>	<u>Construction Cost (000s)</u>
2000	4,352	\$569,298	781	\$42,454
2001	4,652	627,149	430	15,987
2002	4,918	716,830	259	14,218
2003	5,970	912,511	703	43,501
2004	6,338	1,025,878	1,393	89,483
2005	6,873	1,148,340	795	54,965
2006	6,437	1,072,600	1,370	118,267
2007	4,930	865,318	503	39,964
2008	2,325	415,270	1,034	110,242
2009	1,683	282,759	124	10,473

Source: U.S. Census Bureau.

APPENDIX B

AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED JUNE 30, 2010

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BIRMINGHAM AIRPORT AUTHORITY

FINANCIAL STATEMENTS

June 30, 2010

With Independent Auditor's Report

BIRMINGHAM AIRPORT AUTHORITY
Birmingham, Alabama

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Birmingham Airport Authority
Birmingham, Alabama

We have audited the accompanying statements of net assets of the Birmingham Airport Authority ("the Authority") a component unit of the City of Birmingham, Alabama as of June 30, 2010 and 2009, and the related statements of revenues, expenses and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Birmingham Airport Authority as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2010, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming opinions on the Authority's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *"Audits of States, Local Governments, and Non-Profit Organizations,"* and is not a required part of the basic financial statements of the Authority. The accompanying Schedule of Passenger Facility Charges Collected and Expended for the year ended June 30, 2010, which is also the responsibility of the Authority's management, is also presented for purposes of additional analysis as specified in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration, and is also not a required part of the basic financial statements. The information in these schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

October 6, 2010

Banks, Finley White & Co.



BIRMINGHAM AIRPORT AUTHORITY
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

The following Management Discussion and Analysis (MD&A) of the Birmingham-Shuttlesworth International Airport's activities and financial performance provides the reader with an introduction and overview to the financial statements of the Birmingham Airport Authority ("the Authority") for the fiscal year ended June 30, 2010.

Following this MD&A are the basic financial statements of the Authority together with the notes thereto which are essential to a full understanding of the data contained in the financial statements.

AIRPORT ACTIVITIES AND HIGHLIGHTS

Birmingham-Shuttlesworth International Airport activities decreased by more than 1% in every major area during 2010, as follows:

	<u>2010</u>	<u>2009</u>
Enplanements	1,454,050	1,479,387
% increase/(decrease)	(1.7)%	(9.5)%
Total Passengers	2,907,255	2,957,181
% increase/(decrease)	(1.7)%	(9.5)%
Air Carrier Operations	48,416	49,970
% increase/(decrease)	(3.1)%	(9.9)%
Air Carrier Landed Weight	1,948,140	2,152,804
% increase/(decrease)	(9.5)%	(9.1)%

Despite these reduced activity levels, the Authority achieved another year with an increase in its net assets.

As of June 30, 2010, three major passenger carriers, thirteen regional carriers, and two regularly scheduled all-cargo carriers served the Airport.

FINANCIAL OPERATIONS HIGHLIGHTS

The increase in net assets for 2010 was \$27.3 million as compared to \$29.7 million in 2009.

BIRMINGHAM AIRPORT AUTHORITY
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

- Operating Revenues increased by 1.4% from \$34.5 million to \$35.0 million. Space rental revenues were up 8.7%, driven by a rate increase. Landing fees were down 5.2%, due to a decrease in air carrier landed weight.
- Operating Expenses decreased by 7.8% from \$23.0 million to \$21.2 million. Operating expenses were down due to decreased costs for professional services, which were down 32.5%, and decreased costs for repairs and maintenance, which were down 38.1%.
- The net result of the above was operating revenues before depreciation increased from \$11.5 million to \$13.8 million or 19.7%. The operating income before non-operating revenues and expenses increased from \$53 thousand in 2009 to \$2.4 million in 2010.
- Non-Operating Revenues/(Expenses) decreased from \$2.6 million in 2009 to \$2.3 million in 2010, due primarily to decreased collections of passenger facility charges.
- Capital contributions received in the form of grants from the Federal government decreased from \$27.1 million in 2009 to \$22.7 million in 2010, as the airport has successfully completed a number of noise land acquisition projects ahead of schedule.

SUMMARY OF OPERATIONS AND CHANGES IN NET ASSETS

	<u>2010</u>	<u>2009</u>
Operating revenues	\$ 34,991,884	\$ 34,523,546
Operating expenses	<u>(21,188,944)</u>	<u>(22,925,265)</u>
Excess before depreciation and other		
non-operating revenues and expenses	13,802,940	11,598,281
Depreciation	<u>(11,413,143)</u>	<u>(11,545,273)</u>
Income before other non-operating		
revenues and expenses	2,389,797	53,008
Other non-operating revenues and		
expenses, net	<u>2,297,204</u>	<u>2,555,422</u>
Income before capital contributions	4,687,001	2,608,430
Capital contributions	<u>22,645,758</u>	<u>27,068,506</u>
 Increase in net assets	 <u>\$ 27,332,759</u>	 <u>\$ 29,676,936</u>

BIRMINGHAM AIRPORT AUTHORITY
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

FINANCIAL POSITION SUMMARY

Net assets may serve over time as a useful indicator of the Authority's financial position. The Authority's net assets exceeded liabilities by \$348.4 million at June 30, 2010, a \$27.3 million increase from June 30, 2009.

A condensed summary of the Authority's net assets at June 30 is shown below:

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets	\$ 44,041,723	\$ 46,075,554
Capital assets and other assets	<u>377,565,417</u>	<u>351,762,962</u>
Total assets	421,607,140	397,838,516
LIABILITIES		
Current liabilities	7,742,552	7,762,273
Long-term debt and non-current liabilities	<u>65,453,083</u>	<u>68,997,497</u>
Total liabilities	73,195,635	76,759,770
NET ASSETS		
Invested in capital assets, net of debt	308,544,528	279,379,164
Restricted	15,518,818	19,554,425
Unrestricted	<u>24,348,159</u>	<u>22,145,157</u>
TOTAL NET ASSETS	<u>\$ 348,411,505</u>	<u>\$ 321,078,746</u>

The largest portion of the Authority's net assets each year (88.6% at June 30, 2010) represents its investment in capital assets (e.g., land, buildings, infrastructure improvements, and equipment), less the related indebtedness outstanding used to acquire those capital assets. The Authority uses these capital assets to provide services to its passengers and visitors to the Airport; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

An additional portion of the Authority's net assets (4.5% at June 30, 2010) represents bond reserve funds and federal program funds that are subject to external restrictions on how they can be used under bond resolutions and by Federal regulations. The remaining unrestricted net assets (7.0% at June 30, 2010) may be used to meet any of the Authority's ongoing obligations.

AIRLINE RATES AND CHARGES

Prior to December 31, 2005, the airlines operated at Birmingham under a long-term Airport Use and Lease Agreement that credited the airlines' landing fee requirement with 50% of all non-airfield net revenues.

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Fiscal Year Ended June 30, 2010

From January 1, 2006 until March 1, 2009, the airlines operated without an agreement in place, but were charged rental rates and landing fees based on the methodology contained in the expired agreement. As of March 1, 2009, the Authority changed its rate setting methodology to an approach of crediting the airport's terminal cost center with 25% of all terminal building non-airline revenues, and calculating landing fees based on a full compensatory methodology.

The revenues realized from the airlines are shown below. Because the rate cycles began at times other than the start of the Authority's fiscal year, each fiscal year embraces different rate cycles, and it is not possible to have a rental rate or landing fee rate for a specific fiscal year.

	<u>2010</u>	<u>2009</u>
Terminal Building Charges	\$ 3,801,695	\$ 3,421,565
Aircraft Parking Charges	503,804	392,973
Landing Fees	<u>5,690,851</u>	<u>5,986,565</u>
Total Signatory Airline Charges	<u>\$ 9,996,350</u>	<u>\$ 9,801,103</u>
Cost per Enplaned Passenger	\$6.87	\$6.63

The airline cost per enplaned passenger is calculated by adding all the airport charges to the airlines during a fiscal year and dividing that sum by the number of passengers enplaned by the airlines during the twelve-month period.

REVENUES

A summary of revenues for the year ended June 30, 2010, and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2010 Amount</u>	<u>Percent of Total</u>	<u>Increase (Decrease) From 2009</u>	<u>Percent Increase (Decrease)</u>
Operating:				
Space rentals	\$ 5,808,947	14.2 %	\$ 465,578	8.7 %
Concession fees - parking	13,224,807	32.4 %	389,005	3.0 %
Concession fees - other	6,975,523	17.1 %	(90,417)	(1.3)%
Landing fees and fuel flowage	6,464,845	15.9 %	(352,812)	(5.2)%
Ground hangar rentals	1,750,444	4.3 %	(45,286)	(2.5)%
Other revenues	<u>767,318</u>	<u>1.9 %</u>	<u>102,273</u>	<u>15.4 %</u>
Total operating	34,991,884	85.8 %	468,341	1.4 %
Non-Operating:				
Passenger facility charges	5,574,993	13.7 %	(178,747)	(3.1)%
Interest income	231,570	0.6 %	(163,574)	(41.4)%
Unrealized gain (loss) on investments	<u>(18,978)</u>	<u>(0.1)%</u>	<u>(92,409)</u>	<u>(125.8)%</u>
Total non-operating	<u>5,787,585</u>	<u>14.2 %</u>	<u>(434,730)</u>	<u>(7.0)%</u>
TOTAL REVENUES	<u>\$ 40,779,469</u>	<u>100.0 %</u>	<u>\$ 33,611</u>	<u>0.1 %</u>

BIRMINGHAM AIRPORT AUTHORITY
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2010

EXPENSES

A summary of expenses for the year ended June 30, 2010, and the amount and percentage of change in relation to prior year amounts is as follows:

	<u>2010</u> <u>Amount</u>	<u>Percent</u> <u>of Total</u>	<u>Increase</u> <u>(Decrease)</u> <u>From 2009</u>	<u>Percent</u> <u>Increase</u> <u>(Decrease)</u>
Operating:				
Personnel costs	\$ 9,355,893	25.9 %	\$ (167,969)	(1.8)%
Security	3,892,604	10.8 %	(70,762)	(1.8)%
Utilities	2,364,961	6.6 %	(190,107)	(7.4)%
Professional services	843,255	2.3 %	(405,828)	(32.5)%
Materials and supplies	1,203,043	3.3 %	253,474	26.7 %
Repairs and maintenance	1,358,539	3.8 %	(835,638)	(38.1)%
Other services	<u>2,170,649</u>	<u>6.0 %</u>	<u>(386,809)</u>	<u>(15.1)%</u>
Total operating	21,188,944	58.7 %	(1,803,639)	(7.8)%
Depreciation	11,413,143	31.6 %	(132,130)	(1.1)%
Non-Operating:				
Interest expense	3,342,273	9.3 %	(16,770)	(0.5)%
Amortization of bond issuance expense	148,108	0.4 %	7,410	5.3 %
Loss on disposal of assets	<u> </u>	<u> </u> %	<u>(167,150)</u>	<u>(100.0)%</u>
Total non-operating	<u>3,490,381</u>	<u>9.7 %</u>	<u>(176,510)</u>	<u>(4.8)%</u>
TOTAL EXPENSES	<u>\$ 36,092,468</u>	<u>100.0 %</u>	<u>\$ (2,112,279)</u>	<u>(5.5)%</u>

SUMMARY OF CASH FLOW ACTIVITIES

The following shows a summary of the major sources and uses of cash and cash equivalents for the past two years. Cash equivalents are considered cash-on-hand, bank deposits and highly liquid investments with an original maturity of three months or less:

	<u>2010</u>	<u>2009</u>
Cash flow from Operating Activities	\$ 13,362,485	\$ 13,034,096
Cash flow from Investing Activities	(1,168,766)	1,804,769
Cash flow from Capital and Related Financing Activities	<u>(12,799,986)</u>	<u>(5,970,326)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(606,267)	8,868,539
Cash and Cash Equivalents:		
Beginning of the Year	<u>35,675,119</u>	<u>26,806,580</u>
End of the Year	<u>\$ 35,068,852</u>	<u>\$ 35,675,119</u>

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The Authority's available cash and cash equivalents decreased from \$35.7 million at the end of 2009 to \$35.1 million at the end of 2010 due to the funds used for the purchase of capital assets and investing activities, offset significantly by the cash provided from operating activities.

FINANCIAL STATEMENTS

The Authority's financial statements are prepared on an accrual basis in accordance with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). The Authority is structured as a single enterprise fund with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and (except land and construction in progress) are depreciated over their useful lives. Amounts are restricted for debt service and, where applicable, for construction activities. See the notes to the financial statements for a summary of the Authority's significant accounting policies.

CAPITAL ACQUISITIONS AND CONSTRUCTION ACTIVITIES

During 2010, the Authority expended \$37.2 million on capital activities. Major capital activities were as follows: purchase of noise-impacted land - \$13.7 million, terminal modernization design - \$12.5 million, land for future development - \$6.7 million, runway and taxiway improvements - \$4.0 million, and other projects - \$0.3 million.

Capital assets acquisitions and improvements, exceeding \$5,000 are capitalized at cost. Acquisitions are funded using a variety of financing techniques, including Federal grants with matching Airport funds, Passenger Facility Charges, debt issuance, and Airport revenues.

LONG-TERM DEBT OUTSTANDING

In 2003, the Authority issued \$20,820,000 of Series 2003-A Airport Revenue Refunding Bonds dated October 22, 2003, maturing annually from 2014 through 2023, with interest on a variable rate determined weekly. On December 1, 2009, the Authority reoffered the bonds with fixed interest rates ranging from 3.25 percent to 4.5 percent, with a net interest cost of 3.99 percent.

Balance outstanding June 30, 2010 - \$20,820,000; 2009 - \$20,820,000

In 2003, the Authority issued \$18,875,000 of Series 2003-B Airport Revenue Refunding Bonds dated October 22, 2003, maturing annually from 2004 through 2014, with interest coupons ranging from 2.00 percent to 5.00 percent, with a net interest cost of 3.91 percent.

Balance outstanding June 30, 2010 - \$8,625,000; 2009 - \$10,335,000

In 2007, the Authority issued \$44,635,000 of Series 2007 Airport Revenue Refunding Bonds, dated July 11, 2007, maturing annually from 2008 through 2026, with interest coupons ranging from 5.00 percent to 5.25 percent, with a net interest cost of 4.82 percent.

Balance outstanding June 30, 2010 - \$40,580,000; 2009 - \$42,625,000

BIRMINGHAM AIRPORT AUTHORITY
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The total Authority debt outstanding at June 30, 2010, totals \$70,025,000 compared to 2009 - \$73,780,000.

PASSENGER FACILITY CHARGE (PFC)

The Authority initially received approval from the FAA to impose a PFC of \$3.00 per enplaned passenger beginning August 1, 1997, not to exceed \$7,657,558, principally to finance the rehabilitation of the main runway. Subsequently, the Authority requested and received approval to increase the charge per enplanement to \$4.50, and to increase the total collection amount to \$64,044,765. The Authority has used PFCs to finish the rehabilitation of the main runway, to pay for the rehabilitation of the air carrier apron, to relocate a sanitary sewer lift station, to remove obstructions from beyond the end of the main runway, and to design a terminal modernization program. The collection period is scheduled to end in September 2011. Through June 30, 2010, the Authority has collected PFCs, including interest earnings thereon, totaling \$57,820,293. For further details related to the current year activity, see the Schedule of Passenger Facility Charges in the Compliance Section of this report.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or request for additional information should be addressed in writing to the Vice President of Finance, Birmingham Airport Authority, 5900 Airport Highway, Birmingham, Alabama 35212, or call 205-595-0533.

BIRMINGHAM AIRPORT AUTHORITY
STATEMENTS OF NET ASSETS
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
CURRENT ASSETS		
Unrestricted Assets:		
Cash and cash equivalents	\$ 24,078,282	\$ 20,018,301
Grants receivable	451,627	2,154,409
Accounts receivable (net of allowance for uncollectibles of \$8,699 and \$32,682 in 2010 and 2009, respectively)	821,594	855,404
Other accounts receivable	11,989	12,532
Prepaid insurance	<u>360,349</u>	<u>401,611</u>
Total unrestricted assets	<u>25,723,841</u>	<u>23,442,257</u>
Restricted Assets:		
Federal Capital Funds:		
Grants receivable	410,248	1,139,678
Passenger Facility Charges Funds:		
Cash and cash equivalents	5,160,796	8,500,439
Accounts receivable	989,096	1,227,930
Revenue Bond Funds:		
Cash and cash equivalents	5,829,774	7,156,379
Investments	5,914,718	4,588,652
Accrued interest receivable	<u>13,250</u>	<u>20,219</u>
Total restricted assets	<u>18,317,882</u>	<u>22,633,297</u>
Total current assets	<u>44,041,723</u>	<u>46,075,554</u>
 NON-CURRENT ASSETS		
Capital Assets:		
Land	127,754,607	127,754,607
Buildings	106,262,985	106,262,985
Infrastructure improvements	193,180,723	194,959,568
Machinery and equipment	13,762,082	14,267,235
Furniture and fixtures	809,722	809,722
Construction in progress	74,933,315	37,868,651
Less: accumulated depreciation	<u>(140,370,396)</u>	<u>(131,331,651)</u>
Total capital assets	<u>376,333,038</u>	<u>350,591,117</u>
Other Assets:		
Bond issuance costs	<u>1,232,379</u>	<u>1,171,845</u>
Total non-current assets	<u>377,565,417</u>	<u>351,762,962</u>
TOTAL ASSETS	<u>\$ 421,607,140</u>	<u>\$ 397,838,516</u>

BIRMINGHAM AIRPORT AUTHORITY
STATEMENTS OF NET ASSETS (CONTINUED)
June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payable From Unrestricted Assets:		
Accounts payable and accrued expenses	\$ 1,003,488	\$ 928,401
Total payable from unrestricted assets	<u>1,003,488</u>	<u>928,401</u>
Payable From Restricted Assets:		
Construction contracts payable	1,096,210	1,734,386
Accrued interest payable	1,702,854	1,344,486
Current maturities of revenue bonds payable	<u>3,940,000</u>	<u>3,755,000</u>
Total payable from restricted assets	<u>6,739,064</u>	<u>6,833,872</u>
Total current liabilities	<u>7,742,552</u>	<u>7,762,273</u>
 NON-CURRENT LIABILITIES		
Compensated employee absences	372,194	368,699
Revenue bonds payable, net of unamortized bond discount and unamortized loss on refunding	<u>65,080,889</u>	<u>68,628,798</u>
Total non-current liabilities	<u>65,453,083</u>	<u>68,997,497</u>
Total liabilities	<u>73,195,635</u>	<u>76,759,770</u>
 NET ASSETS		
Invested in capital assets, net of related debt	308,544,528	279,379,164
Restricted:		
For debt service	10,054,888	10,420,764
Federal grants and programs	<u>5,463,930</u>	<u>9,133,661</u>
Total restricted	<u>324,063,346</u>	<u>298,933,589</u>
Unrestricted	<u>24,348,159</u>	<u>22,145,157</u>
Total net assets	<u>348,411,505</u>	<u>321,078,746</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 421,607,140</u>	 <u>\$ 397,838,516</u>

BIRMINGHAM AIRPORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES		
Space rentals	\$ 5,808,947	\$ 5,343,369
Concession fees - parking	13,224,807	12,835,802
Concession fees - other	6,975,523	7,065,940
Landing fees	6,148,289	6,488,079
Fuel flowage	316,556	329,578
Ground hangar rentals	1,750,444	1,795,730
Other revenues	<u>767,318</u>	<u>665,048</u>
Total operating revenues	<u>34,991,884</u>	<u>34,523,546</u>
OPERATING EXPENSES		
Personnel costs	9,355,893	9,523,862
Security	3,892,604	3,963,366
Utilities	2,364,961	2,555,068
Professional services	843,255	1,249,083
Materials and supplies	1,203,043	949,569
Repairs and maintenance	1,358,539	2,194,177
Other services	<u>2,170,649</u>	<u>2,490,140</u>
Total operating expenses before depreciation	21,188,944	22,925,265
Depreciation	<u>11,413,143</u>	<u>11,545,273</u>
Total operating expenses	<u>32,602,087</u>	<u>34,470,538</u>
Operating income (loss) before non-operating revenues (expenses)	<u>2,389,797</u>	<u>53,008</u>
NON-OPERATING REVENUES (EXPENSES)		
Passenger facility charges	5,574,993	5,753,740
Interest income	231,570	395,143
Interest expense	(3,342,273)	(3,359,044)
Amortization of bond issuance expense	(148,108)	(140,698)
Gain (loss) on disposal of assets		(167,150)
Unrealized gain (loss) on investments (net)	<u>(18,978)</u>	<u>73,431</u>
Total non-operating revenues (expenses)	<u>2,297,204</u>	<u>2,555,422</u>
Gain (loss) before capital contributions	4,687,001	2,608,430
Capital contributions from federal agency	<u>22,645,758</u>	<u>27,068,506</u>
NET ASSETS		
Increase in net assets	27,332,759	29,676,936
Total net assets, beginning of the year	<u>321,078,746</u>	<u>291,401,810</u>
Total net assets, end of the year	<u>\$ 348,411,505</u>	<u>\$ 321,078,746</u>

BIRMINGHAM AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 35,026,237	\$ 34,242,726
Cash paid to suppliers for goods and services	(12,311,354)	(11,707,165)
Cash paid for personnel costs	<u>(9,352,398)</u>	<u>(9,501,465)</u>
Net cash provided (used) by operating activities	<u>13,362,485</u>	<u>13,034,096</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Maturity of investment securities	3,000,000	1,400,000
Interest on investments	238,539	404,769
Purchase of investment securities	<u>(4,407,305)</u>	<u> </u>
Net cash provided by investing activities	<u>(1,168,766)</u>	<u>1,804,769</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(37,155,064)	(29,582,036)
Federal grants and passenger facility charges	30,891,797	30,486,315
Interest paid on capital debt	(2,830,326)	(3,234,605)
Principal paid on capital debt	(3,755,000)	(3,640,000)
Proceeds from debt issuance	238,513	
Cost of bond issuance	<u>(189,906)</u>	<u> </u>
Net cash used by capital and related financing activities	<u>(12,799,986)</u>	<u>(5,970,326)</u>
Net increase (decrease) in cash and cash equivalents	(606,267)	8,868,539
Cash and cash equivalents, beginning of the year	<u>35,675,119</u>	<u>26,806,580</u>
Cash and cash equivalents, end of the year	<u>\$ 35,068,852</u>	<u>\$ 35,675,119</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating income	\$ 2,389,797	\$ 53,008
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	11,413,143	11,545,273
Bad debt expense	43,524	61,148
Change in Assets and Liabilities:		
Receivables (net)	33,810	(288,284)
Other receivable	543	7,464
Prepaid insurance	41,262	24,377
Compensated employee absences	3,495	22,397
Accounts payable and accrued expenses	<u>(563,089)</u>	<u>1,608,713</u>
Total adjustments	<u>10,972,688</u>	<u>12,981,088</u>
Net cash flows from operating activities	<u>\$ 13,362,485</u>	<u>\$ 13,034,096</u>

BIRMINGHAM AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 ORGANIZATION AND REPORTING ENTITY

A. Organization

The Birmingham Airport Authority ("the Authority") was incorporated on June 6, 1986, as a nonprofit corporation under the provisions of the Code of Alabama, Title 4, Chapter 3, Article 2. The Authority is governed by a seven (7) member, board of directors, who are nominated by the Mayor and elected by the City Council of the City of Birmingham ("the City").

B. Reporting Entity

The Authority meets the criteria set forth in generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) for inclusion as a component unit within the City's general purpose financial statements based on the City's responsibility for the appointment of the authority members, and their approval of capital programs and certain debt issuances and the Authority's annual operating budget. As a component unit of the City, the Authority's financial statements are discretely presented on the City's general purpose financial statements. The accompanying financial statements present the financial position of the Authority only. The Authority does not have any component units and is not involved in any joint ventures.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has applied all applicable GASB pronouncements, as well as all Financial Accounting Standards Board (FASB) statements and interpretations except those which contradict applicable GASB pronouncements.

The Authority's activities are accounted for similar to those often found in the private sector using the flow of economic resources measurement focus and the accrual basis of accounting. All assets, liabilities, net assets, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred.

Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Transactions which are capital, financing or investing related are reported as non-operating revenues. All expenses related to operating the Airport are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses. The following is a summary of the more significant policies:

BIRMINGHAM AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

A. Revenue Recognition

Airline Landing Fee Charges - Landing fees are principally generated from scheduled airlines, cargo carriers and non-scheduled commercial aviation and are based on the landed weight of the aircraft. The estimated landing fee rate is determined based on the expenses incurred in the airfield cost center during the prior fiscal year, and is adjusted each year for actual expenses and landed weight of aircraft. Landing fees are recognized as revenue during the period the runways are utilized.

Terminal Rents, Concessions and Ground Transportation - Rental and Concession fees are generated from airlines, food and beverage, retail, rental cars, advertising and other commercial tenants. Leases are for terms from one to ten years and generally require rentals based on the volume of business, with specific minimum annual rental payments required. Rental revenue is recognized over the life of the respective leases and concession revenue is recognized based on reported concessionaire revenue.

Other - All other types of revenues are recognized when earned.

B. Federal Capital Contributions

Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the FAA, with 5% provided by the Authority. Capital funding provided under government grants is considered earned as the related allowable expenditures are incurred.

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

C. Passenger Facilities Charges

The Authority is authorized to impose a Passenger Facility Charge (PFC), based on enplaning passengers. The PFC can be collected until the date on which the total net PFC revenue collected, plus interest thereon, equal the allowable cost of the approved projects, which is \$64,044,765. The PFC funds are available for the design, construction and administration of capital improvements of the Airport.

PFCs, along with related interest earnings are recorded as deferred revenue until authorized for construction and related debt service payments under an FAA approved Application to use. Once authorized to use, PFC receipts are recognized and recorded as non-operating revenue in the year collected by the air carriers, net of an allowance for estimated ticket refunds.

BIRMINGHAM AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

D. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Authority considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents include cash on hand and demand deposits.

E. Investments

State statutes authorize the Authority to invest in U.S. government obligations, or in bonds of the State of Alabama or in any county or municipality therein, or in certificates of deposit collaterally secured by a pledge of U.S. government obligations.

The current and noncurrent portfolios of investments are marketable debt securities and are carried at cost plus amortized premium, or fair value, at the balance sheet date. Related premiums are amortized to income over the terms of the investments. Interest income on investments is accrued as earned.

F. Receivables

Receivables are reported at their gross value when earned and are reduced by the estimated portion that is expected to be uncollectible. The allowance for uncollectible amounts is based on collection history, and current information regarding the credit worthiness of the tenants and others doing business with the Authority. When continued collection activity results in receipt of amounts previously written off, revenue is recognized for the amount collected.

G. Restricted Assets

Restricted assets consist of monies and other resources which are restricted legally as described below:

Capital Funds - These assets represent capital debt proceeds that are restricted for designated capital projects and can not be expended for any other item.

Federal Grants and Programs - These assets represent federal grants and Passenger Facility Charge (PFC) collections based on an approved FAA application to "Impose" such charges on enplaned passengers at the Airport. These funds are restricted for designated capital projects and any debt incurred to finance the construction of those projects.

Debt Service Funds - These assets represent 2003 and 2007 general airport revenue bond (GARB) proceeds. In accordance with the Trust Indenture dated June 1, 1990 and its supplemental indentures dated September 15, 1993, October 1, 1996, January 1, 1999, October 1, 2003, and July 11,

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2007, between the Authority and the Trustee, bond proceeds were deposited in the Debt Service Reserve Account, which must at least equal one year's principal and interest payments, and the Primary Account which contains funds to make scheduled payments of principal and interest.

H. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the statement of net assets at historical cost or at fair value at date of donation, less accumulated depreciation. Depreciation has been provided over the estimated useful lives using the straight-line method. Estimated useful lives by asset category are as follows:

Buildings	10-35 years
Infrastructure improvements	5-30 years
Machinery and equipment	5-15 years
Furniture and fixtures	5-15 years

Cost of constructed fixed assets includes interest during the construction period. No depreciation is provided on construction in progress until construction is substantially complete and the asset is placed in service.

When property and equipment are disposed of, the related cost and accumulated depreciation are removed from the accounts with gains or losses on disposition being reflected in current operations. The Authority capitalizes all capital assets in excess of \$5,000. Maintenance and repairs are expended as incurred.

I. Interest Capitalization

Interest cost related to construction financing is capitalized, net of interest revenue earned on the borrowed proceeds, from the time of borrowing until construction is substantially complete and the asset is placed in service. No interest was capitalized in fiscal years 2010 and 2009.

J. Bond Issue Costs, Original Issue Discount and Deferred Loss on Bond Refundings

Bond issue costs, original issue discount and deferred loss on refundings on long-term indebtedness are deferred and amortized using the effective interest method over the life of the debt to which it relates.

K. Compensated Absences

The Authority's employees earn vacation leave at graduated rates based on their length of service (one day per month of service initially) and up to forty days of unused leave may be carried over to the following year. Sick leave is earned at the rate of eight hours for each month of service and can accumulate up to sixty days. The Authority funds sick leave as taken.

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An accrual is recorded for accumulated unpaid vacation pay. As of June 30, 2010 and 2009, accrued vacation pay totaled \$372,194 and \$368,699, respectively. Because sick pay does not vest and will only be paid to employees on approved sick leave, no accrued liability has been recorded.

L. Arbitrage Rebate

The U.S. Treasury has issued regulations on calculating the rebate due the Federal government on arbitrage profits, calculating arbitrage penalties, and determining compliance with the arbitrage rebate provisions of the Tax Reform Act of 1986. Arbitrage profits arise when the Authority temporarily invests the proceeds of tax exempt debt in securities with higher yields. For the year ended June 30, 2010 and 2009, the Authority had no arbitrage rebate liability.

M. Use of Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

NOTE 3 CASH AND CASH EQUIVALENTS AND INVESTMENTS

It is the Authority's policy to invest only in obligations of the U.S. Treasury, U.S. Government Agencies, State of Alabama obligations, and short-term bank certificates of deposit.

The Authority's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits (in excess of FDIC insurance) may not be returned to it. The carrying amount of the Authority's deposits, certificates of deposits and cash on hand was \$24,078,282 and \$20,018,301 and the bank balance was \$24,771,985 and \$18,626,820 at June 30, 2010 and 2009, respectively. The Authority also had restricted cash deposited with a trustee, which had a carrying amount and cash on hand of \$10,990,570 and \$15,656,818 and a bank balance of \$12,107,979 and \$17,325,274 at June 30, 2010 and 2009, respectively.

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The Authority's deposit policy for custodial credit risk limits deposits to financial institutions that are members of the Alabama State Treasury's Security for Alabama Funds Enhancement (SAFE) Program. Under the SAFE program, the Authority's funds are protected through a collateral pool administered by the Alabama State Treasury. Certain banks holding deposits belonging to the state, counties, cities, or agencies of any of these entities must pledge securities as collateral against these deposits. In the event of the failure of a bank, securities pledged by that bank would be liquidated by the State Treasurer to replace the public deposits. If the securities pledged failed to produce adequate funds for that purpose, every bank participating in the pool would share the liability for the remaining balance.

Credit Risk

Credit risk is the possibility that the issuer/counterparty to an investment will be unable to fulfill its obligations. The Debt Service Funds (U.S. Treasury/Agency Securities) had a market value of \$5,914,718 and \$4,588,652 as of June 30, 2010 and 2009, respectively and was invested in direct obligations of the U.S. Government. U.S. Government obligations are not considered to have credit risk and do not require disclosure of credit quality.

Concentration of Credit Risk

Concentration of credit risk is the inability to recover the value of deposits, investments, or collateral securities in the possession of an outside party caused by a lack of diversification (investments acquired from a single issuer). The Authority's cash deposits are held in several financial institutions and are fully insured by the Federal Deposit Insurance Corporation (FDIC) and the SAFE Program. Also, the Authority's Debt Service Funds (U.S. Treasury/Agency Securities) are not considered a risk because the securities are guaranteed by the U.S. Government.

The Authority's investment policy limits its investments by security type and institution. With the exception of U.S. Treasury securities and authorized pools, no more than 50% of the Authority's total investment portfolio will be invested in a single security type or with a single financial institution.

Interest Rate Risk

Interest rate risk is the possibility that an interest rate change could adversely affect an investment's fair value.

<u>Type of Investment</u>	<u>Investment Maturities at Fair Value (in Years)</u>				<u>Totals</u>	<u>Totals</u>
	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	<u>6/30/10</u>	<u>6/30/09</u>
Debt Services:					Totals	Totals
U.S. Treasury/ Agency Securities	\$ 1,457,582	\$ 4,457,136	\$ _____	\$ _____	\$ 5,914,718	\$ 4,588,652
Total Debt Securities	<u>\$ 1,457,582</u>	<u>\$ 4,457,136</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ 5,914,718</u>	<u>\$ 4,588,652</u>

**BIRMINGHAM AIRPORT AUTHORITY
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The Authority's investment policy is to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Authority will not directly invest in securities maturing more than three years from the date of purchase. However, the Authority may collateralize its certificates of deposit using longer-dated investments not to exceed five years for maturity.

Reserve funds may be invested in securities exceeding three years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of the funds.

NOTE 4 FAIR VALUE MEASUREMENTS

In 2009, the Authority adopted SFAS No. 157, *Fair Value Measurements* (SFAS No. 157). SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority; Level 2 inputs consist of inputs other than quoted prices included within Level 1 that are observable market data; and Level 3 inputs consist of unobservable inputs for the asset and have the lowest priority. The Authority uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. For fiscal years ended June 30, 2010 and 2009, all of the Authority's investments were measured using Level 1 inputs.

Description	Fair Value		Fair Value Measurements Using:	
	FYE 6/30/10	FYE 6/30/09	Quoted Prices in Active Markets for Identical Assets (Level 1)	
	FYE 6/30/10	FYE 6/30/09	FYE 6/30/10	FYE 6/30/09
Investments	\$ 5,914,718	\$ 4,588,652	\$ 5,914,718	\$ 4,588,652
Total	\$ 5,914,718	\$ 4,588,652	\$ 5,914,718	\$ 4,588,652

NOTE 5 OPERATING LEASES

The Authority is the lessor of terminal space, land and buildings at the Birmingham International Airport under various operating leases for periods through 2027. Some of the leases, in addition to noncancellable amounts at fixed rates, provide for additional payments based on usage or activity. The following is a table of future minimum noncancellable lease payments to the Authority:

**BIRMINGHAM AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

2011	\$ 1,741,498
2012	1,063,751
2013	888,699
2014	762,699
2015	734,894
2016 - 2020	2,409,454
2021 - 2025	766,394
2026 - 2027	159,661
	\$ 8,527,050

NOTE 6 REVENUE BONDS PAYABLE

On October 22, 2003, the Authority issued the Birmingham Airport Authority Airport Revenue Refunding Bonds, Series 2003-A and the Airport Revenue Refunding Bonds, Series 2003-B in the amounts of \$20,820,000 and \$17,875,000 respectively. The Series 2003-A Bonds and the Series 2003-B were issued to provide funds to refund the Authority's Series 1993-A and 1993-B Bonds outstanding in the principal amounts of \$20,390,000 and \$18,060,000 respectively.

The Series 2003-A Bonds were originally issued at variable interest rates determined weekly. On December 1, 2009, the Authority reoffered the bonds with fixed interest rates ranging from 3.25% to 4.5%. Principal payments on the Series 2003-A Bonds are due annually beginning July 1, 2014, and the final principal payment is due on July 1, 2023.

The Series 2003-A net bond proceeds of \$20,258,123 (after payment of \$750,909 in issuance cost and depositing \$1,778,227 into the 2003 Reserve Fund) plus an additional \$1,967,259 of Series 1993-A and 1993-B sinking fund monies were deposited into the 1993 Escrow Fund.

The Series 2003-B Bonds mature no later than July 1, 2014, and require semiannual interest payments on January 1 and July 1 beginning January 1, 2004, at rates ranging between 2 and 5 percent. Principal payments on the Series 2003-B Bonds are due annually beginning July 1, 2004.

The Series 2003-B net bond proceeds of \$19,764,504 (after payment of \$577,619 in issuance cost) plus an additional \$2,012,283 of Series 1993-A and 1993-B sinking fund monies were deposited into the 1993 Escrow Fund.

In refunding the Series 1993-A and Series 1993-B Bonds, the Authority incurred a loss of approximately \$1,802,751 which was deferred and is being amortized over the life of the new debt in accordance with GASB 23. The Authority is expected to reduce its aggregate debt service payments over the next 20 years and will obtain an economic gain (difference between the present value of debt service of the refunded bonds and the Series 2003-A and 2003-B Airport Revenue Refunding Bonds) estimated to be approximately \$2,177,000.

**BIRMINGHAM AIRPORT AUTHORITY
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On July 11, 2007, the Authority issued the Birmingham Airport Authority Airport Revenue Refunding Bonds, Series 2007, in the amount of \$44,635,000. The Series 2007 Bonds were issued to provide funds to refund the Authority's Series 1996 and 1999 Bonds outstanding in the principal amounts of \$24,220,000 and \$20,515,000, respectively.

The Series 2007 Bonds mature no later than July 1, 2026, and require semi-annual interest payments on January 1 and July 1, beginning January 1, 2008, at rates ranging between 5 and 5.25 percent. Principal payments on the Series 2007 Bonds are due annually beginning July 1, 2008.

The Series 2007 net bond proceeds of \$45,622,343 (after payment of \$343,478 in issuance cost) plus an additional \$141,713 of Series 1996 and 1999 sinking fund monies were deposited into the 1996 and 1999 Escrow Fund.

In refunding the Series 1996 and Series 1999 Bonds, the Authority incurred a loss of approximately \$1,375,552, which was deferred and is being amortized over the life of the new debt in accordance with GASB 23. The Authority is expected to reduce its aggregate debt service payments over the next 19 years and will obtain an economic gain (difference between the present value of debt service of the refunding bonds and the Series 2007 Airport Revenue Refunding Bonds) estimated to be approximately \$1,496,970.

Long-term revenue bonds payable consist of the following:

	<u>2010</u>	<u>2009</u>
Total principal outstanding	\$ 66,085,000	\$ 70,025,000
Unamortized bond premium	1,390,096	1,306,281
Deferred loss on defeasance	<u>(2,394,207)</u>	<u>(2,702,483)</u>
Total	<u>\$ 65,080,889</u>	<u>\$ 68,628,798</u>

The following shows debt service to maturity for the Series 2003-A and B Bonds and the Series 2007 Bonds:

<u>FYE June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 4,135,000	\$ 3,067,688	\$ 7,202,688
2012	4,320,000	2,884,500	7,204,500
2013	4,520,000	2,688,000	7,208,000
2014	4,725,000	2,479,850	7,204,850
2015	4,965,000	2,269,813	7,234,813
2016 - 2020	28,880,000	7,722,415	36,602,415
2021 - 2025	12,640,000	2,214,102	14,854,102
2026	<u>1,900,000</u>	<u>99,750</u>	<u>1,999,750</u>
Total	<u>\$ 66,085,000</u>	<u>\$ 23,426,118</u>	<u>\$ 89,511,118</u>

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NOTE 7 **CAPITAL CONTRIBUTIONS AND NET ASSETS**

Since its inception, the Authority has received capital contributions from the City of Birmingham, in the form of net assets transferred as of the date of inception and through Federal grants and programs as follows:

	Inception To-Date	Year Ended 2010	Year Ended 2009
City of Birmingham	\$ 12,359,477		
Federal	349,014,471	\$ 28,256,550	\$ 32,907,915
Total	\$ 361,373,948	\$ 28,256,550	\$ 32,907,915

All unrestricted net assets were undesignated as of June 30, 2010.

NOTE 8 **CHANGES IN CAPITAL ASSETS**

A summary of the changes in capital assets for the year ended June 30, 2010 and 2009, is as follows:

	Balance at 07/01/09	Additions	Deductions	Balance at 06/30/10
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 127,754,607			\$ 127,754,607
Construction in progress	37,868,651	\$ 37,064,664		74,933,315
Total capital assets, not being depreciated	165,623,258	37,064,664		202,687,922
Capital assets being depreciated:				
Buildings	106,262,985			106,262,985
Infrastructure improvements	194,959,568		\$ (1,778,845)	193,180,723
Machinery and equipment	14,267,235	124,004	(629,157)	13,762,082
Furniture and fixtures	809,722			809,722
Total capital assets being depreciated	316,299,510	124,004	(2,408,002)	314,015,512
Less accumulated depreciation on:				
Buildings	(57,257,611)	(2,445,366)		(59,702,977)
Infrastructure improvements	(65,976,956)	(7,579,597)	1,791,258	(71,765,295)
Machinery and equipment	(7,267,864)	(1,383,976)	583,139	(8,068,701)
Furniture and fixtures	(829,220)	(4,203)		(833,423)
Total accumulated depreciation	(131,331,651)	(11,413,142)	2,374,397	(140,370,396)
Total capital assets depreciated, net	184,967,859	(11,289,138)	(33,605)	173,645,116
Total capital assets, net	\$ 350,591,117	\$ 25,775,526	\$ (33,605)	\$ 376,333,038

BIRMINGHAM AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

<u>Governmental Activities</u>	<u>Balance at 07/01/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance at 06/30/09</u>
Capital assets not being depreciated:				
Land	\$ 105,163,038	\$ 22,691,569	\$ (100,000)	\$ 127,754,607
Construction in progress	<u>112,080,525</u>	<u>30,553,086</u>	<u>(104,764,960)</u>	<u>37,868,651</u>
Total capital assets, not being depreciated	<u>217,243,563</u>	<u>53,244,655</u>	<u>(104,864,960)</u>	<u>165,623,258</u>
Capital assets being depreciated:				
Buildings	106,303,485		(40,500)	106,262,985
Infrastructure improvements	122,113,834	74,445,390	(1,599,656)	194,959,568
Machinery and equipment	7,853,779	6,756,951	(343,495)	14,267,235
Furniture and fixtures	<u>809,722</u>			<u>809,722</u>
Total capital assets being depreciated	<u>237,080,820</u>	<u>81,202,341</u>	<u>(1,983,651)</u>	<u>316,299,510</u>
Less accumulated depreciation on:				
Buildings	(54,842,032)	(2,456,079)	40,500	(57,257,611)
Infrastructure improvements	(59,813,877)	(7,615,609)	1,452,530	(65,976,956)
Machinery and equipment	(6,123,439)	(1,467,896)	323,471	(7,267,864)
Furniture and fixtures	<u>(823,531)</u>	<u>(5,689)</u>		<u>(829,220)</u>
Total accumulated depreciation	<u>(121,602,879)</u>	<u>(11,545,273)</u>	<u>1,816,501</u>	<u>(131,331,651)</u>
Total capital assets depreciated, net	<u>115,477,941</u>	<u>69,657,068</u>	<u>(167,150)</u>	<u>184,967,859</u>
Total capital assets, net	<u>\$ 332,721,504</u>	<u>\$ 122,901,723</u>	<u>\$ (105,032,110)</u>	<u>\$ 350,591,117</u>

NOTE 9

PENSION PLAN

Plan Description

The Authority contributes to the City of Birmingham Retirement and Relief System--a single employer defined benefit pension plan ("the Plan"). This system covers substantially all employees and certain elected officials and appointed employees. Membership is mandatory for covered employees and is effective upon employment. Employees contribute 6.5% of payroll, exclusive of overtime. The City is required by statute to fund that part of current service cost and past service cost which exceeds participants' contributions as determined by annual actuarial studies. The City of Birmingham ("the City") acts as trustee for the Plan.

Funding Policy

The funding methods and determination of benefits payable were established by the legislative acts creating the Plan and provide that the Plan's fund is to be accumulated from employee contributions, employer contributions, and income from the investment of accumulated funds. The cost of administering the plan is funded by the City. The Plan's financial statements and required supplementary information is presented in the City's, June 30, 2010, comprehensive annual financial report.

Summary of Significant Accounting Policies

The activities and the financial statements of the Plan is accounted for on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. The City's contributions are recognized when due and a formal commitment to provide the contributions has been made.

BIRMINGHAM AIRPORT AUTHORITY
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Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. The Plan's cash assets are invested in equity and fixed-income securities and are reported at fair value. Investments are traded on the national exchange.

The Authority's payroll for employees covered by the pension plan was \$5,043,534 and \$4,337,304, and the total payroll was \$5,810,904 and \$5,183,032 for the years ended June 30, 2010 and 2009, respectively.

The Authority's measurements of assets and pension benefit obligations are not shown separately from the City of Birmingham Retirement and Relief System's actuarial assumption valuation. The following are disclosure requirements of that all-inclusive actuarial assumption valuation, as of the last actuarial study of June 30, 2009, for the Plan.

City of Birmingham Retirement and Relief System
Schedule of Employer Contributions

Plan Year Ended June 30,	Annual Required Contributions	Actual Contributions	Percentage Contributed
2004	\$ 11,290,871	\$ 11,347,715	100.5%
2005	12,875,198	10,881,632	84.5%
2006	13,742,543	11,398,732	82.9%
2007	14,173,353	12,006,508	84.7%
2008	14,818,900	12,061,584	81.4%
2009	17,050,689	12,770,110	74.9%
2010	21,118,910		

City of Birmingham Retirement and Relief System
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Valuation of Assets	Actuarial Accrued Liability (AAL)- Entry Age	Unfunded (Overfunded) AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
7/1/2004	\$ 801,612,266	\$ 838,485,603	\$ 36,873,337	95.60%	\$ 158,062,119	23.33%
7/1/2005	819,166,736	875,792,038	56,625,302	93.53%	158,898,488	35.64%
7/1/2006	898,671,013	946,584,547	47,913,534	94.94%	162,849,137	29.42%
7/1/2007	935,821,094	992,864,448	57,043,354	94.25%	167,807,596	33.99%
7/1/2008	953,079,670	1,050,785,799	97,706,129	90.70%	174,113,556	56.12%
7/1/2009	910,769,192	1,083,256,135	172,486,943	84.08%	186,523,480	92.47%

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City of Birmingham Retirement and Relief System
Actuarial Methods and Assumptions

Actuarial Valuation:	
Frequency	Annual
Latest Date	7/1/2009
Basis for Contributions	7/1/2009
Cost Method	Entry Age Normal
Amortization:	
Method	Level Dollar
Open/Closed	Open/Rolling 30 years
Equivalent Single Period Remaining	30
	Market value of assets less unrecognized returns in each of the last five years.
	Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a five-year period, further adjusted, if necessary, to be within 20% of the market value.
Asset Valuation Method	
Assumptions:	
Investment rate of return	7.00%
Projected salary increases:	
Inflation	3.50%
Merit, Longevity, etc.	Varies from 0.00% to 6.00%
Plan Membership:	
Retired participants and beneficiaries receiving benefits	2,516
Terminated participants entitled to, but not yet receiving benefits	211
Active participants	<u>4,017</u>
Total membership	<u>6,744</u>

City of Birmingham Retirement and Relief System
Development of the Net Pension Obligation and the Annual Pension Cost

Plan Year Ended June 30	Employer Annual Required Contribution	Employer Amount Contributed	Interest on NPO @ 7%	ARC Adjustment	Amortization Factor	Pension Cost	Change in NPO	NPO Balance
2004	\$ 11,290,871	\$ 11,347,715	\$ (1,350,951)	\$ (2,089,340)	8.6212	\$ 12,029,259	\$ 681,544	\$ (17,331,137)
2005	12,875,198	10,881,632	(1,299,835)	(2,035,605)	8.5140	13,610,968	2,729,336	(14,601,802)
2006	13,742,543	11,398,732	(1,095,135)	(1,150,095)	12.6962	13,797,503	2,398,771	(12,203,031)
2007	14,173,353	12,006,508	(915,227)	(919,064)	13.2777	14,177,190	2,170,682	(10,032,349)
2008	14,818,900	12,061,584	(702,264)	(755,580)	13.2777	14,872,216	2,810,632	(7,221,717)
2009	17,050,689	12,770,110	(505,520)	(543,899)	13.2777	17,089,068	4,318,958	(2,902,759)

NOTE 10 OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The Authority adopted a policy to pay for the cost of post-employment health insurance for eligible employees. Employees of the Authority must meet the following eligibility requirements for pension benefits as defined by the City of Birmingham Retirement and Relief System for retirement:

BIRMINGHAM AIRPORT AUTHORITY
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- Retirees with 30 years of service at any age
- Retirees with 5 or more years of service and age 60 or older
- Retirees receiving ordinary or extraordinary disability pension benefits

Retirees may elect to continue their health insurance coverage under the Consolidated Omnibus Budget Reconciliation Act (COBRA). COBRA provides the retirees with health insurance coverage generally for a period of 18 months. Retirees may continue the same coverage (single or family) at the time of retirement. The retiree must elect health insurance coverage under COBRA within 60 days of the retirement date.

Retirees who meet the eligibility requirements, as listed above, are entitled to receive a subsidy amount equal to the amount the Authority pays for single coverage for an active employee. Retirees may receive the subsidy until they reach the age 65, become Medicare eligible, covered under another policy or deceased.

The retiree is responsible for paying the applicable balance of the monthly health insurance premium. The retiree may elect to have their portion of the health insurance deducted from their monthly pension benefit or elect to mail a check to the Authority by the 10th of each month for their portion.

The plan is a single-employer defined benefit plan. The Authority reserves the right to make changes to retiree benefits, insurance providers and co-payments that are considered necessary and at the Authority's discretion. Retirees will be notified whenever premium and/or benefits change. Benefits under the plan will be reviewed on an annual basis. The Authority intends no implied promise to continue the benefits for future retirees.

Funding Policy

The funding policy under the plan is to provide payments on a pay-as-you-go basis. During the fiscal year ended June 30, 2010 and 2009, the Authority paid \$26,932 and \$14,361, respectively, for health care insurance premiums for retired employees.

The Authority adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions (GASB 45), as of October 1, 2007. This statement requires governmental entities to recognize and match other post-retirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. The adoption of GASB 45 did not have a material impact on the Authority's financial statements.

BIRMINGHAM AIRPORT AUTHORITY
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NOTE 11 **MAJOR CUSTOMERS**

Six major airlines operate at Birmingham. Prior to December 31, 2005, the airlines operated at Birmingham under a long-term Airport Use and Lease Agreement that credited the airlines' landing fee requirement with 50% of all non-airfield net revenues. From January 1, 2006 until March 1, 2009, the airlines operated without an agreement in place, but were charged rental rates and landing fees based on the methodology contained in the expired agreement. As of March 1, 2009, the Authority changed its rate setting methodology to an approach of crediting the airport's terminal cost center with 25% of all terminal building non-airline revenues, and calculating landing fees based on a full compensatory methodology. The airlines continue to operate at Birmingham on a month-to-month basis. The Authority received approximately 29% and 28% of its revenue during 2010 and 2009, respectively, from rentals and services provided to the commercial airlines.

NOTE 12 **RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The Authority has purchased commercial insurance for all risk above minimal deductible amounts. In addition, all tenants and users of the Airport are required to have commercial insurance coverages naming the Authority as additional insured.

Following the events of September 11, 2001, all insurance companies canceled their war risk liability coverage for airlines and airports. During fiscal year 2010, the Authority was able to obtain \$100,000,000 of coverage for an additional \$106,875.

No liability is recorded at June 30, 2010, for outstanding claims or for any potential claims incurred but not reported as of that date. Settled claims have not exceeded these commercial coverages by any material amounts during the year ended June 30, 2010.

NOTE 13 **RELATED PARTY TRANSACTIONS**

The Authority reimburses the City for the cost of providing security and fire protection services to the Airport. Amounts charged by the City are reported as operating expenses during the year incurred and totaled \$3,892,604 and \$3,963,366 for the fiscal years ended June 30, 2010 and 2009, respectively.

NOTE 14 **COMMITMENTS**

At June 30, 2010, the Authority is committed under contracts for the following construction and planning projects:

**BIRMINGHAM AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS**

	Committed Amount
Terminal Modernization - Design	\$ 2,685,375
Terminal Modernization - Pre-Construction Services	337,271
Terminal Modernization - Program Management	177,600
Runway 18/36 Lighting Project - Construction	319,230
Total Committed Amounts	\$ 3,519,476

NOTE 15 RECENTLY ISSUED ACCOUNTING STANDARDS

GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. Issued June 2008, the objective of this Statement is to improve the recognition, measurement, and disclosures regarding derivative instruments, thereby improving the understandability of a government's resources available to provide services. Though the changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools, there is significant exposure to risks and liabilities. Disclosure requirements include the objectives, terms and risks of hedging derivative instruments, a summary of the activity that provides an indication of the location of fair value amounts reported in the financial statements. This Statement did not result in a change in current practice.

GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. Issued March 2009, the objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The requirements in this Statement will improve financial reporting by contributing to GASB's efforts to codify all GAAP for state and local governments so they derive from a single source. The Board concluded that the GAAP hierarchy should reside in the accounting literature source. The Board concluded that the GAAP hierarchy should reside in the accounting literature established by the GASB and is issuing this Statement to accomplish that objective. This Statement will make it easier for preparers of state and local governments financial statements to identify and apply all relevant guidance. This Statement did not result in a change in current practice.

BIRMINGHAM AIRPORT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards. Issued March 2009, the objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles - related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in auditing literature. This Statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards.

The requirements in this Statement will improve financial reporting by contributing to GASB's efforts to codify all sources of GAAP for state and local governments so that they derive from a single source. This effort is important from the perspective of bringing the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. This Statement did not result in a change in current practice.

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

To the Board of Directors of the
Birmingham Airport Authority
Birmingham, Alabama

We have audited the financial statements of the Birmingham Airport Authority ("the Authority") as of and for the year ended June 30, 2010, and have issued our report thereon dated October 6, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect, and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

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



Compliance and Other Matters

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

This report is intended solely for the information and use of management, the board of directors, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

October 6, 2010

Banks, Finley White & Co.

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of the
Birmingham Airport Authority
Birmingham, Alabama

Compliance

We have audited the compliance of the Birmingham Airport Authority ("the Authority") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority's compliance with those requirements.

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.



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

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

This report is intended solely for the information of management, the board of directors, and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

October 6, 2010

Bank, Finley White & Co.

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

To the Board of Directors of the
Birmingham Airport Authority
Birmingham, Alabama

Compliance

We have audited the compliance of the Birmingham Airport Authority ("the Authority") with the types of compliance requirements described in the *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration ("the Guide"), that are applicable to its Passenger Facility Charge ("PFC") program for the year ended June 30, 2010. Compliance with the requirements of laws, regulations, contracts and grants applicable to its PFC program is the responsibility of the Authority's management. Our responsibility is to express an opinion on the Authority's compliance based on our audit.

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

In our opinion, the Authority complied, in all material respects, with the requirements referred to above that are applicable to its PFC program for the year ended June 30, 2010.

Internal Control Over Compliance

The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to the PFC program. In planning and performing our audit, we considered the Authority's internal control over compliance with the requirements that could have a direct and material effect on the PFC program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with the Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.



To the Board of Directors of the
Birmingham Airport Authority
Birmingham, Alabama

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

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

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

October 6, 2010

Banks, Finley White & Co.

BIRMINGHAM AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2010

U. S. DEPARTMENT OF TRANSPORTATION	ID Number	CFDA Number	Federal Revenue	Funds Expended
Airport Improvement Program	AIP-3-01-0014-064-2007	20.106	\$ 339,105	\$ 339,105
Airport Improvement Program	AIP-3-01-0014-067-2008	20.106	3,133,222	3,133,222
Airport Improvement Program	AIP-3-01-0014-068-2008	20.106	2,989,880	2,989,880
Airport Improvement Program	AIP-3-01-0014-069-2008	20.106	117,457	117,457
Airport Improvement Program	AIP-3-01-0014-070-2008	20.106	1,214,694	1,214,694
Airport Improvement Program	AIP-3-01-0014-071-2008	20.106	2,377,981	2,377,981
Airport Improvement Program	AIP-3-01-0014-072-2008	20.106	65,234	65,234
Airport Improvement Program	AIP-3-01-0014-074-2009	20.106	1,569,246	1,569,246
Airport Improvement Program	AIP-3-01-0014-075-2009	20.106	1,325,693	1,325,693
Airport Improvement Program	AIP-3-01-0014-077-2009	20.106	2,897,175	2,897,175
Airport Improvement Program	AIP-3-01-0014-078-2009	20.106	5,655,185	5,655,185
Airport Improvement Program	AIP-3-01-0014-079-2010	20.106	<u>960,886</u>	<u>960,886</u>
Total U.S. Department of Transportation			<u>22,645,758</u>	<u>22,645,758</u>
Total Expenditures of Federal Awards			<u>\$ 22,645,758</u>	<u>\$ 22,645,758</u>

BIRMINGHAM AIRPORT AUTHORITY
NOTE TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards include the federal grant activity of the Birmingham Airport Authority ("the Authority") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

BIRMINGHAM AIRPORT AUTHORITY
SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED
For the year ended June 30, 2010

Charges collected:	
Charges collected from airlines	\$ 5,574,993
Interest income	<u>35,799</u>
Total charges collected	5,610,792
Charges expended	<u>(9,740,315)</u>
Charges expended in excess of charges collected	(4,129,523)
Balance of collections, beginning of the year	<u>11,396,824</u>
Balance of collections, end of the year	<u>\$ 7,267,301</u>

**BIRMINGHAM AIRPORT AUTHORITY
NOTE TO THE SCHEDULE OF PASSENGER FACILITY CHARGES
COLLECTED AND EXPENDED**

BASIS OF PRESENTATION

The accompanying Schedule of Passenger Facility Charges ("PFC") Collected and Expended includes the PFC activity of the Birmingham Airport Authority ("the Authority") and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the PFC Audit Compliance and Reporting Guide for Public Agencies.

**BIRMINGHAM AIRPORT AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the year ended June 30, 2010**

Section I--Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported
- Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program

Dollar threshold used to distinguish between Type A and Type B programs: \$679,373

Auditee qualified as low-risk auditee? Yes No

Section II--Financial Statement Findings

None reported.

Section III--Federal Award Findings and Questioned Costs

None Reported

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

The following constitutes a summary of certain portions of the Indenture. This summary should be qualified by reference to descriptions or summaries of certain provisions of the Indenture referred to elsewhere in this Offering Memorandum (including, without limitation, those provisions referred to or described under the captions "DESCRIPTION OF THE SERIES 2010 BONDS"). All references and summaries pertaining to the Indenture in this Appendix C or elsewhere in this Offering Memorandum are qualified by reference to the exact terms of the Indenture, a copy of which may be obtained from the Authority.

Definitions

Capitalized Terms used in this Appendix C without being defined herein shall have the meanings assigned thereto elsewhere in this Offering Memorandum.

"**Additional Bonds**" means those of the Bonds issued pursuant to the provisions of Article V of the Indenture.

"**Additional Facilities**" means:

- (a) any airport facilities, including all land, buildings, structures, equipment and appurtenances constituting a part thereof,
- (b) all enlargements of and improvements and additions to any existing or future buildings and structures that constitute the Airport Facilities, and
- (c) all renewals and replacements of any of the foregoing,

which airport facilities, enlargements, improvements, additions, renewals and replacements are financed as a whole or in part through the issuance of Bonds other than Bonds heretofore issued under the Indenture.

"**Airport Consultant**" means any engineer, engineering firm, firm of certified public accountants, airport consulting firm or corporation, or other qualified person, firm or corporation of favorable repute for skill and experience in performing the duties for which it is employed by the Authority under the Indenture.

"**Airport Facilities**" means the Birmingham-Shuttlesworth International Airport, as now located within Jefferson County, Alabama, including runways, taxiways, landing pads, navigational and landing aids, control towers, facilities for storage of aircraft and for parking of automobiles, roadways, passenger and freight terminals, land, easements and rights in land for clear zone and approach purposes, maintenance hangars and related facilities and all equipment, buildings, grounds, facilities, utilities and structures owned, leased or operated by the Authority in connection with or for the promotion or the accommodation of air commerce and air navigation and services in connection therewith, together with all additions, betterments, extensions and improvements thereto, to the fullest extent permitted by the Authorizing Statute. The term "Airport Facilities" excludes any Special Purpose Facilities so long as any indebtedness issued to finance such Special Purpose Facilities is outstanding.

"**Airport Lease**" means that certain Lease, Assignment and Operating Agreement dated as of September 16, 1986, between the City of Birmingham and the Authority, as said agreement now exists and as it may be supplemented, modified or amended from time to time in accordance with the provisions thereof.

"**Ambac Assurance**" means Ambac Assurance Corporation, the issuer of municipal bond insurance policy that insures the payment of the principal of and interest on the Series 2007 Bonds.

"**Annual Debt Service**" means, with respect to any outstanding Bonds or series thereof, the amount of principal maturing and interest becoming due with respect to such outstanding Bonds in the then current or any subsequent Fiscal Year; provided

(a) that the principal amount of any such Bonds required by the terms thereof to be redeemed or prepaid during any Fiscal Year shall, for purposes of this definition, be considered as maturing in the Fiscal Year during which such redemption or prepayment is required and not in the Fiscal Year in which their stated maturity or due date occurs;

(b) that any principal of or interest on the Bonds shall be deemed to mature or become due (1) on the date or dates on which moneys are required to be deposited into the Bond Fund to provide for the payment of such principal or interest and (2) in the respective amounts required to be so deposited into the Bond Fund on each such date;

(c) that for purposes of determining interest on any Variable Rate Bonds for any period for which the actual rate cannot be determined, the rate of interest on such Bonds shall, except as otherwise provided in clause (d) below, be assumed to be (1) the average rate of interest borne by such Variable Rate Bonds during the period of twenty-four (24) months immediately preceding the pertinent date of determination of Annual Debt Service, if such Variable Rate Bonds have been outstanding at least twenty-four (24) months as of such date of determination, or (2) the Prevailing Rate, if such Variable Rate Bonds have been outstanding less than twenty-four (24) months as of such date of determination;

(d) that the principal of any such Bonds that at the time constitute Balloon Indebtedness shall be deemed to mature over a period (commencing on the due date of such principal that constitutes Balloon Indebtedness) equal to thirty (30) years less the number of years (counting a fraction of a year as a whole year) that elapse between the date such Bonds were issued and the date they mature, to bear interest at the Prevailing Rate on the then unpaid principal balance and to be payable as to principal and interest in equal annual installments; and

(e) there shall be excluded any principal of or interest on any Bonds to the extent there are available and held in escrow or under a trust agreement (1) moneys sufficient to pay such principal or interest, (2) Permitted Defeasance Obligations which, if the principal thereof and the interest thereon are paid according to their tenor, will produce moneys sufficient to pay such principal or interest, or (3) both moneys and such Permitted Defeasance Obligations which together will produce funds sufficient to pay such principal or interest.

If, in any case where a portion of the principal of any Bonds is to be excluded in determining Annual Debt Service, all of such principal does not mature or otherwise come due on that same date, there shall be excluded from each maturing installment of such principal an amount bearing the same ratio to such principal installment as the total amount of principal to be excluded with respect to such Bonds bears to the total outstanding principal of such Bonds. Further, in any case where, for purposes of determining Annual Debt Service with respect to any Bonds, a portion of the principal is to be excluded, there shall also be excluded interest on the principal so excluded.

"Average Annual Debt Service" means the average amount payable in a Fiscal Year as principal of and interest on the Bonds then outstanding and the Additional Bonds then proposed to be issued; provided that, for purposes of this definition, the due dates of principal of Bonds shall be determined and calculated as provided in the foregoing definition of the term "Annual Debt Service".

"Balloon Indebtedness" means, with respect to any Bonds having a term of five years or less, any principal that equals or exceeds 25 percent of the total principal of such Bonds and that becomes due (either by maturity or as a result of mandatory redemption requirements) during any period of twelve (12) consecutive calendar months, no part of which principal so becoming due is required to be redeemed prior to such due date.

"Bond Fund" means the fund created in the Indenture and designated the Birmingham Airport Authority Bond Fund.

"Bond Insurer" means Assured Guaranty Municipal Corp. (formerly Financial Security Assurance Inc.), the issuer of the municipal bond insurance policy that guarantees the scheduled payment of the principal and interest when due on the Insured Series 2010 Bonds.

"Bonds" means the Series 2010 Bonds, the Series 2003-A Bonds, the Series 2003-B Bonds, the Series 2007 Bonds and any other Additional Bonds at the time outstanding.

"Capital Improvement Fund" means the fund created in the Indenture and designated the Birmingham Airport Authority Capital Improvement Fund.

"City Council" shall mean the governing body of the City of Birmingham, Alabama.

"Completion Bonds" means any Bonds issued for the purpose of financing the completion of facilities for the acquisition, construction or equipping of which Bonds have theretofore have issued in accordance with the provisions of the Indenture, to the extent necessary to provide a completed facility of the type and scope contemplated at the time that such Bonds theretofore issued were originally issued, and, to the extent the same shall be applicable, in accordance with the general plans and specifications for such facility as originally prepared with only such changes as have been made in conformity with the documents pursuant to which such Bonds theretofore issued were originally issued.

"Current Expenses" means the Authority's current expenses for the operation, maintenance and repair of the Airport Facilities as determined in accordance with generally accepted accounting principles, including, without limiting the generality of the foregoing, (a) all ordinary and usual expenses of operation, maintenance and repair, (b) administrative expenses, (c) salaries, (d) any payment of principal or interest on Working Capital Indebtedness, (e) payments to any retirement plan or plans properly chargeable to the Airport Facilities, (f) insurance expenses, (g) engineering expenses relating to the operation, maintenance or repair of the Airport Facilities, (h) fees and expenses of the Trustee, legal expenses and fees of consultants, and (i) any other expenses required to be paid by the Authority under the Indenture or by law, but Current Expenses shall not include (i) any reserves for extraordinary replacements or repairs, (ii) any allowance for depreciation or amortization, (iii) any interest (other than interest on Working Capital Indebtedness), (iv) any payments made by the Authority pursuant to Section 3.03 of the Airport Lease, (v) any principal payment in respect of the Bonds or capital leases or indebtedness (other than Working Capital Indebtedness), or, (vi) any deposits to any fund or account created under the Indenture and payments of principal, premium, if any, and interest from such funds and accounts.

"Federal Obligations" means (i) any direct general obligations of the United States of America, (ii) any obligations the payment of the principal of and the interest on which is unconditionally and irrevocably guaranteed by, or entitled to the full faith and credit of, the United States of America, and (iii) Treasury Receipts.

"Fiscal Year" means the period commencing on the first day of July in any year and ending on the last day of June of the following year, unless the Trustee is notified in writing by the Authority of a change in such period, in which case the Fiscal Year shall be the 12-month period set forth in such notice.

"FSA" means Financial Security Assurance Inc. (now known as Assured Guaranty Municipal Corp.), the issuer of municipal bond insurance policies that insure the payment of the principal of and interest on the Series 2003-A Bonds and the Series 2003-B Bonds.

"Holder", when used in conjunction with a Bond, means the Person in whose name such Bond is registered.

"Indenture" means the Trust Indenture dated as of June 1, 1990, as supplemented by a First Supplemental Indenture dated as of September 15, 1993, a Second Supplemental Indenture dated October 1, 1996, a Third Supplemental Indenture dated January 1, 1999, a Fourth Supplemental Indenture dated October 1, 2003 and a Fifth Supplemental Indenture dated October 1, 2003, the Sixth Supplemental Indenture, and the Seventh Supplemental Indenture, and as it as it may from time to time be supplemented, modified or amended by any Supplemental Indenture in accordance with the provisions of the Indenture.

"Indenture Funds" means the Bond Fund, the Reserve Fund, the Series 2003 Reserve Fund, the 2010 Construction Fund and the 2010 Issuance Expense Account.

"Independent Accountant" means a certified public accountant or a firm of certified public accountants that has no continuing employment or business relationship or other connection with the Authority which, in the opinion of the Trustee, might compromise or interfere with the independent judgment of such accountant or firm of accountants in the performance of any services to be performed under the Indenture as an Independent Accountant.

"Independent Investment Adviser" means a municipal securities dealer having no continuing employment or business relationship or other connection with the Authority that, in the opinion of the Trustee, might compromise or interfere with the independent judgment of such securities dealer in the performance of any services to be performed under the Indenture as an Independent Investment Adviser.

"Insured Series 2010 Bonds" means those of the Series 2010 Bonds scheduled to mature on July 1 in the years 2014 through and including 2040.

"Interest Payment Date" means, with respect to any series of Bonds, the interest payment dates provided for in the Indenture or in the Supplemental Indenture relating to such series.

"Maximum Annual Debt Service" means the maximum amount payable in a Fiscal Year as principal of and interest on the Bonds then outstanding and any Additional Bonds proposed to be issued; provided that, for purposes of this definition, the due dates of principal of Bonds shall be determined and calculated as provided in the definition of the term "Annual Debt Service".

"Net Condemnation Award" means the total amount received as compensation for any part of the Airport Facilities taken under the exercise of the power of eminent domain, plus damages to any part of the Airport Facilities not taken, which compensation shall consist of (i) all awards received pursuant to administrative or judicial proceedings conducted in connection with the exercise of the power of eminent domain, plus (ii) all amounts received as the result of any settlement of compensation claims (whether in whole or in part) negotiated with the condemning authority, less (iii) all attorneys' fees and other expenses incurred in connection with the receipt of such compensation, including attorneys' fees and expenses relating to such administrative or judicial proceedings and to such settlement negotiations.

"Net Insurance Proceeds" means the total insurance proceeds recovered by the Authority on account of any damage to or destruction of the Airport Facilities or any part thereof, less all expenses (including attorneys' fees and any extraordinary expenses of the Trustee) incurred in the collection of such proceeds.

"Net Revenues" for any period means the Revenues for such period reduced by the Current Expenses for such period.

"Original Indenture" means that certain Trust Indenture of the Authority dated as of June 1, 1990, as amended or supplemented.

"Permitted Defeasance Obligations" means direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America.

"Permitted Encumbrances" means, with respect to the Airport Facilities:

- (a) liens for taxes or other governmental charges or levies not delinquent or that are being contested in good faith by the Authority;
- (b) covenants, easements, encumbrances, defects of title, reservations, restrictions, and conditions existing at the time of delivery of the Original Indenture;
- (c) the reversionary interest of the City of Birmingham, as lessor, under the Airport Lease;
- (d) defects, irregularities, encumbrances, easements, including easements for roads and public utilities and similar easements, rights of way, mineral conveyances, mineral reservations, and clouds on title, none of which materially impairs the use of the property affected thereby for its intended purposes;
- (e) mechanics', workers', repairmen's, architects', engineers', surveyors', or carriers' liens or other similar liens with respect to the Airport Facilities, provided that the same shall be discharged in the ordinary course of business and without undue delay or the validity of the same shall be contested in good faith with any pending execution thereof appropriately stayed;

(f) liens in respect of judgments or awards relative to claims which (i) are fully covered by insurance, or (ii) have been in force for less than the applicable appeal period, provided execution is not levied thereunder, and/or (iii) with respect to which an appeal or proceeding for review is being prosecuted in good faith and a stay of execution has been obtained pending such appeal or review; and other liens, charges and encumbrances that do not prevent or materially impair the use of the property affected thereby for its intended purposes; and

(g) other liens, charges and encumbrances that do not prevent or materially impair the use of the property affected thereby for its intended purposes.

"PFCs" means the \$4.50 passenger facility charge imposed by the Authority at the Airport Facilities pursuant to the PFC Act, as approved the Federal Aviation Administration by letters dated November 4, 2010.

"PFC Monies" means revenues collected by the Authority from the imposition of the PFCs, net of amounts that collecting air carriers receive and are entitled to retain for collecting, handling and remitting such PFCs under the PFC Act.

"PFC Account" means the Birmingham Airport Authority PFC Account maintained by the Authority as provided in the Seventh Supplemental Indenture.

"2010 Project Manager" means the construction management firm designated as such under the Seventh Supplemental Indenture.

"Prevailing Rate" means the average per annum rate of interest, as determined by a certificate of an Independent Investment Adviser made and dated not more than thirty (30) days prior to the date of calculation, borne by obligations (a) the interest on which is generally excluded from gross income for purposes of federal income taxation but subject to the alternative minimum tax imposed by Section 55 of the Code (or, in the event that tax-exempt financing is not expected to be available for the refinancing of the indebtedness for which interest is being imputed, the interest on which is subject to federal income taxation), (b) that mature over a term of thirty (30) years, and (c) that are incurred by entities engaged in the operation of facilities similar to the Airport Facilities and whose obligations enjoy a credit rating similar to that of the obligations of the Authority payable from the revenues derived from the Airport Facilities.

"Reserve Fund" means the fund created in the Indenture and designated the Birmingham Airport Authority Debt Service Reserve Fund.

"Reserve Fund Requirement" means, as of the date of any determination thereof, the lesser of (A) 125 percent of the Average Annual Debt Service on all Bonds at the time outstanding and secured by the Reserve Fund, (B) the Maximum Annual Debt Service on all Bonds at the time outstanding and secured by the Reserve Fund, or (C) an amount equal to the aggregate of 10 percent of the original principal amount (or, in the case of any series of Bonds sold with original issue discount in an amount greater than 2 percent of its original principal amount, the issue price) of each series of Bonds at the time secured by the Reserve Fund.

"Resolution" means a resolution duly adopted by the Directors.

"Revenue Fund" means the fund created in the Indenture and designated the Birmingham Airport Authority Revenue Fund.

"Revenues" means

(a) except to the extent hereinafter excluded, the total revenues received by the Authority with respect to the Airport Facilities and any funds and accounts maintained with respect thereto, as determined in accordance with generally accepted accounting principles for airports consistently applied, including, without limitation, all payments, proceeds, fees, charges, rents and other income derived by the Authority from the operation or ownership of the Airport Facilities and all investment income from funds and accounts established under the Indenture; and

(b) amounts which the Authority is authorized, but not obligated, to pay or transfer to the Revenue Fund to the extent of any such payments or transfers, including transfers from the Capital Improvement Fund, but

excluding amounts transferred to the Capital Improvement Fund pursuant to Section 10.5 of the Indenture in the current Fiscal Year, which amounts shall become Revenues only at the time of payment or transfer to the Revenue Fund; provided, however, that for any given Fiscal Year the amount that may be included pursuant to this subparagraph (b) in the computation of Revenues may not be greater than 25% of the aggregate amount required to be deposited into the Bond Fund during such Fiscal Year pursuant to the provisions of Section 10.2 of the Original Indenture.

Except as otherwise required by generally accepted accounting principles, there shall not be included in Revenues, unless in the case of (v) or (vi) paid or transferred pursuant to (b) above,

- (i) any gifts, grants, bequests, contributions or donations;
- (ii) proceeds from the sale and disposition of all or any part of the Airport Facilities;
- (iii) to the extent and for so long as such payments are pledged to secure the financing of the same, rentals or other payments (including debt service) from the financing of Special Purpose Facilities, except to the extent otherwise provided by the Authority in respect of any such facilities;
- (iv) any Net Insurance Proceeds or Net Condemnation Awards;
- (v) per passenger taxes collected at the Airport Facilities;
- (vi) any taxes, fees, charges or impositions, the proceeds of which are limited by authorizing law to the construction of capital improvements at the Airport Facilities or noise abatement with respect to Airport Facilities operations, except to the extent such amounts are received as payment for use of the Airport Facilities; and
- (vii) the proceeds of any indebtedness.

"Series 2003-A Bonds" means the Authority's Airport Revenue Refunding Bonds, Series 2003-A (Non-AMT), dated originally October 23, 2003.

"Series 2003-B Bonds" means the Authority's Airport Revenue Refunding Bonds, Series 2003-B (AMT), dated October 1, 2003.

"Series 2003 Reserve Fund" means the Fund created and designated the "Birmingham Airport Authority 2003 Debt Service Reserve Fund" by the Fourth Supplemental Indenture.

"Series 2007 Bonds" means Authority's Airport Revenue Refunding Bonds, Series 2007 (AMT), dated July 11, 2007.

"Series 2010 Bonds" means the Authority's Airport Revenue Bonds, Series 2010 (Non-AMT), dated the date of delivery, described on the cover page of this Offering Memorandum.

"Seventh Supplemental Indenture" means that certain Seventh Supplemental Indenture dated as of December 1, 2010, between the Trustee and the Authority.

"Sixth Supplemental Indenture" means that certain Sixth Supplemental Indenture dated as of July 1, 2007, between the Trustee and the Authority.

"Special Purpose Facilities" means any land, building, structure or other facilities, including equipment, acquired or constructed, which are financed by the issuance of obligations which are issued in compliance with the provisions of the Indenture, but are not, directly or indirectly, secured by or payable from Revenues or issued under or secured by the provisions of the Indenture.

"Subordinate Debt" means (i) payments, if any, that the Authority is required to make pursuant to Section 3.03 of the Airport Lease and (ii) any other indebtedness incurred by the Authority that is not secured by a pledge of the Net Revenues (or any portion thereof) or that is secured by a pledge of the Net Revenues (or any portion thereof) that is subordinate to the pledge contained in the Indenture.

"Subordinate Debt Fund" means the fund created in the Indenture and designated the Birmingham Airport Authority Subordinate Debt Fund.

"Supplemental Indenture" means any indenture duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture.

"Total Operating Revenues" means, as to any period of time, total operating revenues with respect to the Airport Facilities, as determined in accordance with generally accepted accounting principles for airports consistently applied.

"2010 Improvements" means those of the improvements, equipment and additions to the Airport Facilities included within the Capital Improvement Plan to be paid (in whole or part) with proceeds of the Series 2010 Bonds.

"2010 Component" means any portion or component of the Capital Improvement Plan for which separate treatment is appropriate, under generally accepted accounting principles, to determine amounts capitalizable with respect thereto.

"2010 Construction Fund" means the Birmingham Airport Authority 2010 Construction Fund created under the Seventh Supplemental Indenture.

"2010 Improvements Completion Date" means the date of completion of the acquisition, construction and installation of the 2010 Improvements, as certified by the 2010 Program Manager.

"2010 Issuance Expense Account" means the Birmingham Airport Authority Series 2010 Bonds Issuance Expense Account created under the Seventh Supplemental Indenture.

"2010 Project Manager" means the construction management firm designated as such under the Seventh Supplemental Indenture.

"Treasury Receipts" means custodial receipts evidencing ownership in future principal or interest payments, or both, with respect to United States Treasury obligations that have been deposited with a custodian pursuant to a custody agreement which provides for the United States Treasury obligations underlying such custodial receipts to be held in a separate account and for all payments of principal and interest received by such custodian with respect to such underlying obligations to be immediately paid to the holders of such custodial receipts in accordance with their respective ownership in such underlying obligations, provided that (i) the custodian issuing such custodial receipts shall be a bank that is acceptable to the Trustee, that is organized under the laws of the United States of America or any state thereof, and that, at the time of the issuance of such custodial receipts, shall have capital, surplus and undivided profits in excess of \$100,000,000 and (ii) the custody agreement pursuant to which such custodial receipts are issued shall be acceptable to nationally recognized bond counsel.

"Variable Rate Bonds" means any Bonds that bear interest at a rate which is not fixed or constant, but which is established from time to time in accordance with a formula or procedure set forth in such Bonds or in the proceedings of the Authority providing for their issuance.

"Working Capital Indebtedness" means any indebtedness having a term of one year or less that is incurred by the Authority pursuant to applicable provisions of the Indenture to provide for the payment of Current Expenses.

Pledge of Revenues

As security for the payment of the principal, interest and premium (if any) on the Bonds and the performance of all obligations of the Authority under the Indenture, the Authority has pledged to the Trustee all presently owned or after acquired interests and rights in and to:

- (a) Net Revenues,

(b) All monies required by the Indenture to be deposited in the 2010 Construction Fund, together with investments or reinvestments of said moneys, subject to the disbursement and use of said moneys as permitted by the Indenture,

(c) All moneys required by the Indenture to be deposited from time to time into the Bond Fund and the Reserve Fund, any investments or reinvestments of said moneys, and any income or proceeds thereof,

(d) All moneys required by the Indenture to be deposited from time to time into the Revenue Fund, any investments or reinvestments of said moneys, and any income or proceeds thereof, subject to the disbursement of moneys from the Revenue Fund to any other fund established under the Indenture for use as set forth in the Indenture,

(e) All moneys required by the Indenture to be deposited from time to time into the Subordinate Debt Fund, any investments or reinvestments of said moneys, and any income or proceeds thereof, subject to the disbursement of moneys from the Subordinate Debt Fund for payment of Subordinate Debt pursuant to the provisions of the Indenture, and

(f) Any moneys, rights, and properties of any kind or description transferred to the Trustee in trust as additional security for payment of any specified series or all of the Bonds or which otherwise may be possessed or owned by the Trustee as additional security under the Indenture.

The Trustee shall hold all security pledged by the Authority under the Indenture in trust for the benefit of the Holders, equally and ratably, without preference or priority of one Holder over another Holder except as the Indenture provides that preferential application of certain moneys with respect to specific series of the Bonds shall be made.

Liability Under Bonds

The Bonds are special and limited obligations of the Authority and the principal, interest and premium (if any) thereon shall be payable solely out of the Net Revenues and moneys pledged to the Trustee under the Indenture and not from any other moneys held by the Authority which are not pledged under the Indenture. The Bonds and the agreements of the Authority in the Indenture are not general obligations of the Authority, nor are they obligations of the City or of any other municipality or county in the State of Alabama. The Authority shall have no personal or pecuniary liability for payment of the Bonds or for any agreements of the Authority made in the Indenture, except to the extent of Net Revenues and other moneys pledged to the Trustee in the Indenture.

Establishment of Funds and Accounts

The Indenture establishes certain funds and accounts into which the proceeds from the sale of the Bonds and the pledged revenues and other moneys are to be deposited. Following the issuance of the Series 2010 Bonds, the funds which are to be held by the Trustee are as follows: the Bond Fund, the Reserve Fund, the Series 2003 Reserve Fund, the 2010 Construction Fund and the Series 2010 Issuance Expense Account (such funds being referred to collectively as the "Indenture Funds"). The Indenture Funds shall be, at all times, public funds impressed with a trust for the purposes for which said funds were created. The funds that are to be held by the Authority pursuant to the provisions of the Indenture are as follows: the Revenue Fund, the Subordinate Debt Fund, the Capital Improvement Fund, and the PFC Account (all such funds referred to collectively as the "Authority Funds"); provided, however, the Capital Improvement Fund and the PFC Account are not subject to the lien of the Indenture. The Authority may designate one or more banking institutions as depositories for the Authority Funds provided that any such depository must be a member of the Federal Deposit Insurance Corporation qualified to do business in the State of Alabama. The PFC Account is currently maintained by Synovus Bank, but the Authority may designate another banking institution as depository for the PFC Account (if a member of the FDIC or successor agency). The PFC Account is not pledged as security for any Bonds. See "SECURITY FOR THE SERIES 2010 BONDS – Application of Revenues" and "SECURITY FOR THE SERIES 2010 BONDS – Passenger Facility Charges".

The Trustee shall, to the extent practicable, keep all moneys on deposit in the Bond Fund, the Reserve Fund, the Series 2003 Reserve Fund and the 2010 Construction Fund continuously invested in Federal Obligations as set forth in the Indenture.

Revenue Fund. All Revenues of the Authority shall be deposited daily into the Revenue Fund. On or before the last day of each month, the moneys in the Revenue Fund will be applied for the purposes specified in this Offering Memorandum under "SECURITY FOR THE SERIES 2010 BONDS – Application of Revenues". The Authority shall not make any payments from the Revenue Fund except as set forth in the Indenture.

Bond Fund. The Trustee shall make payments of principal of and interest on the Bonds as they become due and shall redeem the Bonds as set forth in the Indenture from moneys on deposit in the Bond Fund. Monthly payments shall be made from the Revenue Fund into the Bond Fund in amounts sufficient to provide for payment of principal and interest on the Bonds; provided, however, that there shall be credited against the amounts to be paid into the Bond Fund from the Revenue Fund for the payment of principal and interest on the Series 2010 Bonds (i) any moneys from the Series 2010 Capitalized Interest Account that are to be paid into the Bond Fund for that purpose and (ii) any moneys from the PFC Account that are paid into the Bond Fund for that purpose pursuant to the provisions of Section 6.3 of the Seventh Supplemental Indenture. To the extent that moneys from the Revenue Fund are not sufficient to fund the Bond Fund as required in any month, the difference shall be paid into the Bond Fund from the Revenue Fund in the succeeding month until required payments into the Bond Fund are current.

At any point when the moneys on deposit in the Bond Fund equal or exceed the aggregate of principal and interest then remaining unpaid on the Bonds, no further payments shall be made into the Bond Fund from the Revenue Fund except to the extent that Additional Bonds are issued or the moneys therein become lost or shall not be immediately available for disbursement for the purposes of the Bond Fund.

Reserve Fund. Certain proceeds from the sale of the Authority's previously issued Bonds and certain surety bonds and insurance policies have been deposited into the Reserve Fund. Additionally, a portion of the proceeds of the Series 2010 Bonds shall be deposited into the Reserve Fund to satisfy the Reserve Fund Requirement. After the issuance and sale of the Series 2010 Bonds, only the Series 2007 Bonds and Series 2010 Bonds shall be secured by the Reserve Fund. The Series 2003-A Bonds and the Series 2003-B Bonds are not secured by the Reserve Fund; instead, the Series 2003-A Bonds and the Series 2003-B Bonds are secured by the Series 2003 Reserve Fund. See "SECURITY FOR SERIES 2010 BONDS – Reserve Fund". If Additional Bonds are issued by the Authority and the Authority elects to have those Additional Bonds secured by the Reserve Fund, the moneys on deposit in the Reserve Fund shall be increased by an amount sufficient to satisfy the Reserve Fund Requirement under the Indenture for the outstanding Bonds secured by the Reserve Fund and such Additional Bonds.

When moneys on deposit in the Bond Fund are not sufficient to pay a maturing installment of principal or interest, moneys from the Reserve Fund or the Series 2003 Reserve Fund, as applicable, shall be deposited into the Bond Fund. Upon any such transfer to the Bond Fund, the Authority shall make additional deposits to the Reserve Fund or the Series 2003 Reserve Fund, as applicable, from the Revenue Fund until the moneys transferred from the Reserve Fund have been restored to the Reserve Fund. In the event the total Reserve Fund exceeds the then applicable Reserve Fund Requirement, the Trustee shall transfer such excess to the Bond Fund. When the aggregate of the Reserve Fund and the Bond Fund equals or exceeds the aggregate of principal and interest then remaining unpaid on the Bonds secured by the Reserve Fund, no further payments shall be made into the Reserve Fund except to the extent that Additional Bonds are issued.

Pursuant to the provisions of the Indenture the Authority may amend the Indenture to permit the substitution of a surety bond or insurance policy for all or a portion of the cash and securities then held in the Reserve Fund. A surety bond was issued to fund a portion of the Reserve Fund in connection with the issuance of the Series 2007 Bonds. Any such amendment would require the consent of the holders of a majority in principal amount of the Bonds then outstanding. The Fourth Supplemental Indenture, the Fifth Supplemental Indenture and the Sixth Supplemental Indenture provide that, in the event that the Authority seeks to effect such an amendment to the Indenture, all the holders of the then outstanding Series 2003-A Bonds, Series 2003-B Bonds, and Series 2007 Bonds and all holders of the Bonds (if any) issued subsequent to the issuance of the Series 2003-A Bonds, the Series 2003-B Bonds and the Series 2007 Bonds, including, without limitation, the Series 2010 Bonds, will be deemed to have consented to such amendment for purposes of the Bondholder consent requirement in the Indenture if either (a) the claims-paying ability of the insurer providing such surety bond or insurance policy is rated "AAA" by Standard & Poor's Rating Services or "Aaa" by Moody's Investors Service or (b) such surety bond or insurance policy and the issuer thereof are approved by all municipal bond insurers that are at such time insuring the payment of any of the then outstanding Bonds.

Subordinate Debt Fund. The Authority shall deposit into the Subordinate Debt Fund on or before the last day of each calendar month moneys remaining in the Revenue Fund after prior required payments into other Indenture Funds sufficient to pay the Subordinate Debt becoming due and payable during the then succeeding calendar month. The Authority shall pay principal and interest due and payable on the Subordinate Debt from the Subordinate Debt Fund.

Capital Improvement Fund. Any excess moneys remaining in the Revenue Fund on the last day of the Authority's Fiscal Year, after all required payments have been made into other funds under the Indenture, shall be deposited into the Capital Improvement Fund. Moneys deposited into the Capital Improvement Fund shall be held by the Authority free and clear of any lien or encumbrance of the Indenture and may be withdrawn from said fund by the Authority and used for any lawful purpose, including the making of deposits to the Revenue Fund.

General Covenants and Representations of the Authority

Payment of Bonds and Performance Under Indenture. The Authority shall cause to be paid the principal, interest and premium (if any) on the Bonds when due, at the time and place due as set forth in the Bonds. The Authority shall perform all covenants, undertakings and agreements to be performed by it under the Indenture or the Bonds.

Operation of Airport Facilities. The Authority shall construct the 2010 Improvements and shall operate and maintain the Airport Facilities in an efficient and economical manner, in good repair and in sound operating condition. The Authority shall comply with all valid governmental or judicial acts, rules, regulations, orders or directions applicable to the Airport Facilities.

Budget; Accounts and Records. At least ninety days prior to the beginning of each Fiscal Year, the Authority shall prepare and deliver to the City Council a proposed budget for said year for the Airport Facilities. Upon approval by the City Council, the Authority shall deliver a copy of such approved budget to the Trustee. If the City Council fails to approve the proposed budget, said proposed budget shall be used as the budget for the Authority until a budget is approved by the City Council. The Authority may, from time to time, request approval by the City Council of an amended or supplemental budget. The Authority shall request such approval if the Authority will be unable to maintain and operate the Airport Facilities and comply with the Rate Covenant requirements under the budget.

The Indenture Funds and the Authority Funds shall be kept separate from all other funds, accounts, moneys and investments of the Authority. The Authority shall keep accurate records and accounts of all costs and expenditures relating to the Airport Facilities and of Revenues collected and the application of such Revenues. All interested persons may inspect said records and accounts.

Within 180 days after the end of each Fiscal Year, the Authority shall cause an Independent Accountant to prepare an audit of its book and accounts. Such audit reports shall be accompanied by an opinion stating that the examination of the financial statements was conducted in accordance with generally accepted accounting standards, stating whether such financial statements present fairly the financial position of the Authority and the results of its operations and changes in its financial position for the period covered by such report in conformity with generally accepted accounting principles applied on a consistent basis for public entities of like type. The audit reports shall be filed with the Trustee, shall be available for inspection at the office of the Authority and shall be mailed to each Holder requesting same.

Within 180 days of the end of each Fiscal Year, the Authority shall also file with the Trustee a report identifying all Events of Default that occurred during the preceding Fiscal Year, setting forth all Revenues and Current Expenses for said Fiscal Year and for the next preceding Fiscal Year, and setting forth the amount of moneys contained in each of the Indenture Funds and Authority Funds at the end of such Fiscal Year.

Insurance. The Authority shall obtain and maintain hazard and public liability insurance in such amounts as are customarily carried by enterprises of a similar nature. The Authority shall further obtain and maintain fidelity insurance or bonds on all officers or employees handling or responsible for any Revenues or funds of the Authority.

The Authority may provide the required insurance coverage through "Qualified Self Insurance", that is, insurance maintained through a program of self insurance or insurance maintained with a fund, company or association in which the Authority has a material interest or of which the Authority has control either singly or with others. If the Authority chooses to provide Qualified Self Insurance, it must establish the plan of insurance in accordance with law, must provide for the establishment of reserves or acquisition of other insurance upon the termination of the plan in order to cover any potential retained liability and the plan must be reviewed no less than once each year by a qualified insurance consultant experienced with insurance requirements of enterprises similar to the Airport Facilities.

Condemnation Proceedings. The Authority shall take prompt and appropriate measures to protect and enforce its rights and interest and the rights and interest of the Trustee and the Holders in the event any public authority attempts to take or damage all or any part of the Airport Facilities through Eminent Domain proceedings. The Authority shall deliver to the Trustee written notice of the institution of eminent domain proceedings upon receipt of any notice thereof.

Disposition of Insurance and Eminent Domain Proceeds. All Net Insurance Proceeds and Net Condemnation Awards shall be paid to the Trustee and shall be used to replace, repair, rebuild or restore the Airport Facilities or to redeem Bonds at the election of the Authority subject to the provisions of the Indenture.

No Encumbrances. Except as permitted under the Indenture, the Authority shall not create or suffer to be created any lien or charge upon the Airport Facilities or any part thereof, or on the Net Revenues, except for Permitted Encumbrances.

Disposition of Airport Facilities. The Authority may, subject to the provisions of the Indenture, sell or otherwise dispose of all or any part of the Airport Facilities if it determines that the articles to be sold or disposed of are no longer needed or useful and that the sale or disposition will not materially impair the operating efficiency of the Airport Facilities or reduce the Authority's ability to satisfy the Rate Covenant requirements. Any proceeds from such sale or disposition shall be deposited into the Capital Improvement Fund.

Financing Special Purpose Facilities. The Authority may, subject to the provisions of the Indenture, finance the acquisition or construction of any Special Purpose Facilities permitted by law so long as such facilities are not directly or indirectly secured by the pledge of Net Revenues and other security under the Indenture, such financing does not constitute a default under the Indenture and such facilities shall not be contracted to provide services, facilities or supplies which may be made available at the Airport Facilities.

Actions Inconsistent With Indenture. The Authority covenants that it shall not use any of the Revenues for purposes other than as set forth in the Indenture and shall not enter into any contracts or take any actions by which the rights of the Holders might be impaired or diminished.

Tax Covenants. The Authority covenants and agrees that it will, to the extent permitted by law, comply with the provisions of the Code that constitute conditions to or requirements for the exclusion of the interest income on the Series 2010 Bonds from gross income of the recipients thereof for purposes of federal income taxation pursuant to the provisions of Section 103 of the Code. Without limiting the generality of the foregoing, the Authority will rebate to the United States such amounts from investment earnings on proceeds of the Series 2010 Bonds at such times, and restrict the yield on the investment of such proceeds in such manner, as shall be necessary to prevent the Series 2010 Bonds from being or becoming "arbitrage bonds" within the meaning of Section 148 of the Code and the regulations thereunder.

If any applicable provision of the Code or the applicable regulations thereunder shall be modified, or interpreted by the United States Treasury Department or by a court of competent jurisdiction, or held invalid by a court of competent jurisdiction, and the effect of the modification, interpretation or invalidation is to make unnecessary to any extent any restriction herein agreed to by the Authority as a requirement of the exclusion of the interest on the Series 2010 Bonds from gross income for purposes of federal income taxation, then to that extent the stipulation or agreement with respect to such restriction shall be ineffective. The Authority shall not, however, take any action pursuant to this paragraph without a prior written opinion of nationally recognized bond counsel that such action would not adversely affect the exclusion of the interest on the Series 2010 Bonds from gross income for purposes of federal income taxation.

Events of Default

Any of the following shall constitute an "Event of Default" under the Indenture:

- (a) failure by the Authority to pay principal or interest on any of the Bonds when due and payable, whether by maturity or otherwise,
- (b) a final judgment for payment of money in excess of \$1,000,000 is rendered against the Authority as a result of the ownership, control or operation of the Airport Facilities which is not discharged (or provision made therefor) within sixty (60) days from the entry thereof or an appeal is not taken therefrom in such manner as to stay the execution or levy under or enforcement of such judgment,
- (c) the Authority becomes insolvent, is unable to pay its debts as they mature, makes a general assignment for the benefit of its creditors, seeks reorganization or similar relief, applies for the appointment of a receiver for it or the Airport Facilities, has a receiver appointed for it or the Airport Facilities (which receiver is not discharged in ninety days), or takes certain similar action related to insolvency, liquidation, reorganization or readjustment of debts,
- (d) failure by the Authority to satisfy the Rate Covenant in the Indenture, provided that such failure shall not constitute an Event of Default if the Authority employs an Airport Consultant and makes a good faith effort to comply with its recommendations (see "SECURITY FOR THE SERIES 2010 BONDS – Rate Covenant" in this Offering Memorandum), or
- (e) the Authority defaults in the due and punctual performance of any of the other covenants, conditions, agreements and provisions contained in the Bonds or the Indenture and such default continues for thirty days after receipt of written notice from the Trustee, provided however, that the Authority shall have a cure period in excess of thirty (30) days if it commences cure and pursues same with reasonable diligence.

Trustee's Remedies on Default

Upon the occurrence of any Event of Default, the Trustee may (a) collect the Revenues from the Authority daily, (b) accelerate the principal due and payable on all the Bonds (c) bring an action or actions to enforce the agreements of the Authority in the Indenture or to enjoin any act of the Authority which is unlawful or which violates the rights of the Holders, or (d) appoint a receiver to administer and operate the Airport Facilities and to perform the obligations of the Authority under the Indenture. The Trustee or the Holders shall not have the authority to compel a sale of the Airport Facilities or any part thereof nor to conduct a foreclosure proceeding or sale with respect to the Airport Facilities or any part thereof under the authority of the Indenture.

Any remedies held by the Trustee under the Indenture shall be vested exclusively in the Trustee for the equal and pro rata benefit of all the Holders. Subject to the provisions of the Indenture, if the Trustee fails or refuses to act on such remedies the Holders have certain rights to act in the name and behalf of the Trustee.

As discussed below under "Rights of Bond Insurers", the municipal bond insurers that are at such time insuring the payment of any of the then outstanding Bonds have the right to control certain of the remedies on default.

No delay or omission by the Trustee or the Holders to exercise any right, power or remedy under the Indenture shall waive or impair such right, power or remedy. Any such right, power or remedy may be exercised from time to time and as often as deemed expedient.

Application of Moneys Received After Default

Any moneys received by the Trustee or a receiver from the operation of the Airport Facilities (which does not include, however, any PFC Monies until any such PFC Monies are transferred to the Bond Fund Primary Account pursuant to the Seventh Supplemental Indenture) that remain after the payment of (i) all related costs, including the receiver's fees and expenses and the fees and expenses of the receiver's attorney, (ii) the costs of administration and operation of the Airport Facilities and the maintenance thereof in good repair and working order,

and (iii) all charges and expenses of the Trustee shall be applied for the following purposes and in the following order:

(a) Unless the principal of all of the Bonds shall have become or shall have been declared due and payable, such moneys shall be applied:

FIRST: to the payment to the persons entitled thereto of all installments of interest then due on the Bonds, in the order of the maturity of the installments of such interest, with interest on overdue installments of interest, and, if the amount available shall not be sufficient to pay in full any particular installment plus said interest thereon, then to the payment ratably, according to the amounts due on such installments and with respect to said interest, to the persons entitled thereto, without any discrimination or privilege;

SECOND: to the payment to the persons entitled thereto of the unpaid principal of and premium, if any, on any of the Bonds which shall have become due (other than Bonds matured or called for redemption for the payment of which moneys are held pursuant to the provisions of the Indenture), in the order of the maturities of such principal and premium, with interest on overdue installments of principal and premium, if any, and, if the amount available shall not be sufficient to pay in full all such principal and premium, if any, due on any particular date, together with such interest, then to the payment of such principal, premium, if any, and interest, ratably, without any discrimination or privilege; and

THIRD: the surplus, if any, into the Bond Fund and then, on a pro rata basis, into the Reserve Fund, the Series 2003 Reserve Fund or the Series 2010 Fund, in the order named, to such extent as will result in there being on deposit therein the respective amounts at the time required to be maintained therein, or in the event the Bonds have been fully paid, to the Authority or to whomsoever may be entitled thereto.

(b) If the principal of all Bonds shall have been declared due and payable, all such moneys shall be applied as follows:

FIRST: to the payment of the principal and interest then due and payable upon the Bonds (with interest on overdue principal and interest), without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, according to the amounts due respectively for principal and interest, to the persons entitled thereto; and

SECOND: the surplus, if any there be, to the Authority or to whomsoever may be entitled thereto.

The Trustee

The Trustee shall not be liable under the Indenture except for noncompliance with the provisions of the Indenture, willful misconduct or gross negligence.

The Trustee may, in its own name, and at any time, institute or intervene in any action for the enforcement of all rights under the Bonds or under the Indenture without joining as parties to such action, any Holders of the Bonds. The Holders of said Bonds shall be deemed to appoint the Trustee as their irrevocable agent and attorney in fact for the purpose of enforcing all rights of action under the Indenture, but such appointment shall not include the power to agree to accept new securities of any nature in lieu of the Bonds or to alter or amend the terms of the Indenture except as provided in the Indenture.

The Trustee and any successor Trustee may resign at any time upon the giving of thirty (30) days' written notice to the Authority, Ambac Assurance, FSA, the Bond Insurer and to each Bondholder. The Trustee may be removed at any time by a written instrument delivered to the Trustee and to the Authority signed by the Holders of a majority in aggregate principal amount of the Bonds then outstanding for breach of any provision of the Indenture. If the Trustee resigns, is removed, or is otherwise incapable of acting, a successor Trustee may be appointed by the

Holders of a majority in aggregate principal amount of the Bonds then outstanding, provided that any resignation, removal or termination shall not be effective until a successor Trustee, acceptable to the municipal bond insurers that are at such time insuring the payment of any of the then outstanding Bonds, has been appointed. Until such successor Trustee is appointed, the Authority may appoint a temporary Trustee.

Supplemental Indentures

The Authority and the Trustee may, without notice to or consent of the Holders, enter into Supplemental Indentures for the purposes of adding to the Authority's covenants and agreements, of providing for the surrender of any right or power of the Authority under the Indenture, of curing or correcting any defect in the Indenture, or of subjecting additional revenues to the lien of the Indenture, all as more particularly set forth in the Indenture. Except for such purposes no Supplemental Indentures shall be permitted without the consent of the Holders of a majority in principal amount of the outstanding Bonds. Written consent of the Holders of all of the outstanding Bonds shall be required to extend the maturity of any principal or interest installment on any Bond, reduce the principal amount or postpone the redemption date of any Bond required to be redeemed, create a lien or charge on Net Revenues prior to or on a parity with the lien of the Indenture (except for Additional Bonds), establish priorities or preferences between the Bonds, or reduce the aggregate principal amount of Bonds for which the Holders are required to consent to any Supplemental Indenture.

Section 5.7 of the Sixth Supplemental Indenture provides that any amendment or supplement to the Indenture (other than a supplement that provides only for the issuance of Additional Bonds in accordance with then applicable Indenture provisions) shall be subject to the prior written consent of all municipal bond insurers that at the time insure the payment of any of the then outstanding Bonds. Each such insurer shall be deemed to be the holder of all outstanding Bonds that it has insured for the purpose of consenting to any proposed amendment or supplement to the Indenture (except for any such amendment or supplement that, under the provisions of the Indenture, requires the consent of the holder of each outstanding Bond).

Satisfaction of Indenture

Whenever the entire indebtedness secured by the Indenture, including all proper charges of the Trustee thereunder, shall have been fully paid, the Trustee shall cancel, satisfy and discharge the lien of the Indenture. For purposes of the Indenture (including, without limitation, the provisions pertaining to the issuance of Additional Bonds), any of the Bonds shall be deemed to have been paid when there shall have been irrevocably deposited with the Trustee for payment thereof the entire amount (principal, interest and premium if any) due or to be due thereon until and at maturity, and, further, any Bond subject to redemption shall also be deemed to have been paid when the Authority shall have deposited with the Trustee the applicable redemption price of such Bond, together with evidence that such Bond has been called for redemption in accordance with the Indenture.

In addition, the Bonds shall for all purposes of the Indenture be deemed fully paid if the Authority and the Trustee enter into a trust agreement making provision for the retirement of all the Bonds by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of all such Bonds (including payment of the interest that will mature thereon until and on the dates they are retired, as such interest becomes due and payable), either by redemption prior to their respective maturities, by payment at their respective maturities or by payment of part thereof at their respective maturities and redemption of the remainder prior to their respective maturities, which said trust fund shall consist of (a) Permitted Defeasance Obligations which are not subject to redemption prior to their respective maturities at the option of the issuer and which, if the principal thereof and the interest thereon are paid at their respective maturities, will produce funds sufficient to provide the payment and retirement of such Bonds, or, (b) both cash and Permitted Defeasance Obligations which together will produce funds sufficient for such purpose, or (c) cash sufficient for such purpose.

Rights of Bond Insurers

The Indenture grants powers and rights to the municipal bond insurers that are at such time insuring the payment of any of the then outstanding Bonds. These powers and rights may be limited if there exists a default under a specific financial guaranty insurance policy. Certain rights of the municipal bond insurers for the Bonds currently outstanding under the Indenture are described below.

Ambac Assurance. Any provision of the Indenture expressly recognizing or granting rights in or to Ambac Assurance may not be amended in any manner that affects the rights of Ambac Assurance under the Indenture without the prior written consent of Ambac Assurance. Unless otherwise provided in the Indenture, Ambac Assurance's consent is required in addition to Bondholder consent, when required, for the following purposes: (i) execution and delivery of any Supplemental Indenture, (ii) removal of the Trustee and selection and appointment of any successor Trustee, and (iii) initiation or approval of any action not described in (i) or (ii) above that requires Bondholder consent. Any reorganization or liquidation plan with respect to the Authority must be acceptable to Ambac Assurance. In the event of any reorganization or liquidation, Ambac Assurance has the right to vote on behalf of all Series 2007 Bonds. Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, Ambac Assurance is entitled to control and direct the enforcement of all rights and remedies granted to the Holders of Series 2007 Bonds or the Trustee for the benefit of the Holders of Series 2007 Bonds under the Indenture, including, without limitation, (i) the right to accelerate the principal of the Series 2007 Bonds as described in the Indenture and (ii) the right to annul any declaration of acceleration, and Ambac Assurance also is entitled to approve all waivers of Events of Default. As has been widely reported in the press, Ambac Assurance recently announced that it has filed for Chapter 11 bankruptcy protection.

Bond Insurer – Series 2003-A Bonds and Series 2003-B Bonds. The Bond Insurer is deemed to be the sole Holder of the Series 2003-A Bonds and Series 2003-B Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of the Series 2003-A Bonds and Series 2003-B Bonds are entitled to take pursuant to the article of the Indenture pertaining to defaults and remedies and the article of the Indenture pertaining to the duties and obligations of the Trustee. No modification or amendment to the Indenture may become effective except upon obtaining the prior written consent of the Bond Insurer.

Bond Insurer- Insured Series 2010 Bonds. The Bond Insurer is deemed to be the sole Holder of the Insured Series 2010 Bonds for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Holders of the Insured Series 2010 Bonds are entitled to take pursuant to the article of the Indenture pertaining to defaults and remedies and the article of the Indenture pertaining to the duties and obligations of the Trustee. No modification or amendment to the Indenture may become effective except upon obtaining the prior written consent of the Bond Insurer.

Municipal bond insurers for Additional Bonds may require other rights or impose additional requirements.

Seventh Supplemental Indenture and Construction of 2010 Improvements

The following constitutes a summary of certain portions of the Indenture (as supplemented by the Seventh Supplemental Indenture) that relate to the construction of the 2010 Improvements. This summary should be qualified by reference to descriptions or summaries of certain provisions of the Indenture referred to elsewhere in this Offering Memorandum (including, without limitation, those provisions referred to or described under the captions "DESCRIPTION OF THE SERIES 2010 BONDS", "SECURITY FOR THE SERIES 2010 BONDS" and "CAPITAL IMPROVEMENT PLAN"). All references and summaries pertaining to the Indenture in this Appendix C or elsewhere in this Offering Memorandum are qualified by reference to the exact terms of the Indenture, a copy of which may be obtained from the Authority.

Construction of 2010 Improvements. The Authority will proceed continuously and with reasonable dispatch with the acquisition, construction and installation of the 2010 Improvements. The Authority will complete the acquisition, construction and installation of the 2010 Improvements, including the acquisition of such real estate (and interests therein) as may be necessary therefor, as soon as may be practicable, delays incident to strikes, riots, acts of God and the public enemy and similar acts beyond the reasonable control of the Authority only excepted. The Authority will promptly pay, as and when due, all expenses incurred in said acquisition, construction and installation, and it will not suffer or permit any mechanics' or materialmen's liens which might be filed or otherwise claimed or established upon or against the 2010 Improvements or any part thereof and which might be or become a lien thereon to remain unsatisfied and undischarged for a period exceeding thirty (30) days after the filing or establishment thereof; provided, however, that the Authority may in good faith contest any such mechanics' or materialmen's lien claims so filed or established and, in the event any such lien claims are so contested, may permit the mechanics' or materialmen's liens so contested to remain unsatisfied and undischarged during the period of such contest and any appeal therefrom, irrespective of whether such period extends beyond the thirty (30) day period after

the filing or establishment of such liens or not, unless the Trustee shall be of the opinion that by such action the title of the Authority to any of the Airport Facilities or any part thereof shall be subject to loss or forfeiture, in which event such mechanics' or materialmen's liens shall be satisfied prior to the expiration of said thirty (30) day period.

2010 Construction Fund and Disbursements Procedure. The Seventh Supplemental Indenture creates a special trust fund, the name of which shall be the "Birmingham Airport Authority 2010 Construction Fund", for the purpose of providing funds for the payment of Costs of the 2010 Improvements. The Trustee shall be and remain the depository, custodian and disbursing agent for the 2010 Construction Fund. There shall be deposited in the 2010 Construction Fund proceeds derived from the sale of the Series 2010 Bonds as described in this Offering Memorandum. All net income at any time derived from the investment and reinvestment of moneys held in the 2010 Construction Fund (including income derived from the investment and reinvestment of previously derived income) shall be paid or credited into the 2010 Construction Fund.

The moneys in the 2010 Construction Fund shall be disbursed by the Trustee from time to time for the purpose of paying Costs of the 2010 Improvements, but only upon receipt of a requisition signed by an Authorized Authority Representative and containing, with respect to each such payment, the following:

- (a) a statement of the amount requested to be paid, the name and address of the Person (which may be the Authority) to whom such payment is due and the particular Cost which is to be paid pursuant to such requisition;
- (b) a certification that 2010 Construction Fund moneys expended pursuant to such requisition will be expended for a purpose authorized in this Seventh Supplemental Indenture and related to the 2010 Improvements; and
- (c) a certification that the payment requested in such requisition has not formed the basis for any previous requisition for the disbursement of moneys from the 2010 Construction Fund or any previous payment out of the proceeds derived by the Authority from the sale of the Series 2010 Bonds.

Any requisition submitted to the Trustee pursuant to this section for the payment of any costs of acquiring, constructing or installing any portion of the 2010 Improvements subject to the supervision of the 2010 Program Manager shall be accompanied by a certificate of the 2010 Program Manager approving the expenditure with respect to which such requisition was filed and stating (i) that such expenditure is necessary and appropriate for the acquisition, construction and installation of the 2010 Improvements in accordance with the then applicable plans and specifications therefor and that the amount of such expenditure does not exceed the value of the property or services for which such expenditure is being made, (ii) that such expenditure has not formed the basis of any previous payment from the 2010 Construction Fund, (iii) that the amount that will remain in the 2010 Construction Fund after payment of such requisition (together with the amount of any other Available Moneys) will be sufficient to pay all costs of completing the acquisition, construction and installation of the 2010 Improvements substantially in accordance with the plans and specifications therefor, and (iv) that the purpose for which such payment is requested is one for which moneys may be paid out of the 2010 Construction Fund under the provisions of this Section 3.2.

The requirements described herein shall apply to all disbursements from the 2010 Construction Fund, including those made to reimburse the Authority for Costs theretofore paid by the Authority.

Use of Moneys in 2010 Construction Fund After 2010 Improvements Completion Date. The completion of the acquisition, construction and installation of the 2010 Improvements shall be established to the Trustee by the delivery of a certificate signed by the 2010 Program Manager stating that

- (a) the acquisition, construction and installation of the 2010 Improvements have been completed in accordance with the applicable plans and specifications,

- (b) all the Costs related to the 2010 Improvements have been paid in full, except for amounts retained by the Trustee at the Authority's direction for any such Costs not then due and payable or the liability for payment of which is being contested or disputed by the Authority, and
- (c) the components of the 2010 Improvements are operational for the respective purposes for which they were designed.

A similar certificate shall be provided to the Trustee by the 2010 Program Manager upon the completion of each 2010 Component that constitutes part of the 2010 Improvements.

On or after the 2010 Improvements Completion Date, the Authority may direct the payment to it of any moneys held in the 2010 Construction Fund if at the time of such payment (i) the aggregate sum of Costs theretofore paid out of the 2010 Construction Fund exceeds (ii) the aggregate sum of the proceeds of the Series 2010 Bonds plus the net amount realized from the investment and reinvestment of such proceeds theretofore deposited in the 2010 Construction Fund. If at any time following the 2010 Improvements Completion Date the sum referred to in clause (ii) of the preceding sentence is greater than the sum referred to in clause (i) thereof, any moneys held in the 2010 Construction Fund shall be (a) applied thereafter from time to time for the payment of such Costs as shall be approved by the Directors (provided that such moneys shall not be used for a purpose other than payment of Costs of the 2010 Improvements unless the Authority receives a written opinion from Bond Counsel stating that use of such moneys for such other purpose will not result in the Series 2010 Bonds becoming taxable, or (b) upon written direction from the Authority to the Trustee, transferred to the Bond Fund Series 2010 Escrow Account.

Investment of 2010 Construction Fund. As promptly as practicable following the execution and delivery of the Seventh Supplemental Indenture and from time to time thereafter, the Authority will furnish to the Trustee a written certificate signed by an Authorized Authority Representative stating what portions (if any) of the moneys on deposit in the 2010 Construction Fund will not be needed during the then ensuing thirty (30) days for any of the purposes for which the 2010 Construction Fund is created and stating further the approximate dates that such presently unneeded moneys will be needed for such purposes. Promptly after receipt of each such certificate, the Trustee will, to the extent practicable, cause the 2010 Construction Fund moneys certified in said certificate as not to be needed during the then ensuing thirty (30) days for any of said purposes to be invested in Eligible Investments having stated maturities in such amounts and at such times, prior to or corresponding with the amounts and dates specified in said certificate, as to make available from the 2010 Construction Fund cash moneys sufficient to meet the needs of the 2010 Construction Fund as specified in said certificate. In the event of any such investment, the securities or certificates in which such moneys are so invested, together with all income derived therefrom, shall become a part of the 2010 Construction Fund to the same extent as if they were moneys originally deposited in such fund. The Trustee may at any time and from time to time sell or otherwise convert into cash any such securities or certificates, whereupon the net proceeds therefrom shall become a part of the 2010 Construction Fund. The Trustee shall be fully protected in making any such investment, sale or conversion in accordance with the provisions of this section.

2010 Program Manager. Pursuant to the Seventh Supplemental Indenture, Gaston Saber Heery, was designated by the Authority as the 2010 Program Manager and was authorized to take the actions provided in the Seventh Supplemental Indenture to be taken by the 2010 Program Manager. In the event that Gaston Saber Heery should cease to be the 2010 Program Manager or should become unavailable or unable to take any action provided in this Seventh Supplemental Indenture to be taken by the 2010 Program Manager, another construction management firm or corporation qualified to do business in the State and acceptable to the Trustee shall thereupon by Resolution be appointed 2010 Program Manager and authorized to take such actions. If the Authority fails to appoint such successor 2010 Program Manager for a period of thirty (30) days following the date when Gaston Saber Heery ceases to be the 2010 Program Manager or becomes unavailable or unable to take any of the said actions, the Trustee may then appoint as successor 2010 Program Manager any construction management firm or corporation qualified to do business in the State. Any approval or certification made by any successor 2010 Program Manager appointed under the provisions of this section shall have the same effect as an approval or certification by Gaston Saber Heery.

Deposit of Surety Bond By Contractor Required. Whenever the Authority shall enter into a contract with a contractor for the construction of the 2010 Improvements or any component thereof in accordance with Section 3.1

hereof, it will cause such contractor to deposit with the Trustee a surety bond signed by a surety company authorized to do business in the State and guaranteeing to the Authority the performance of such contract, the completion of the work provided for therein and the payment of all bills incurred thereunder for material and labor, which bond shall be in such amount as shall be approved by the Authority. If the Authority has previously entered into any such contract, it will cause the contractor thereunder to deposit such performance and surety bond with the Trustee promptly following the execution and delivery of this Seventh Supplemental Indenture. If such a performance and surety bond has previously been furnished the Authority by any such contractor, the Authority will deposit it with the Trustee promptly following the execution and delivery of this Seventh Supplemental Indenture. Nothing contained herein shall, however, impose on the Trustee any duty or liability with respect to the appropriateness or sufficiency of any such contract or surety bond or with respect to the completion of said construction.

APPENDIX D

FORM OF APPROVAL OPINION OF CO-BOND COUNSEL

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APPENDIX D

FORM OF APPROVAL OPINION OF CO-BOND COUNSEL

December 22, 2010

\$151,705,000
Birmingham Airport Authority
Airport Revenue Bonds
Series 2010
(Non-AMT)

We have acted as Co-Bond Counsel to the Birmingham Airport Authority (the "Authority") in connection with the issuance of its Airport Revenue Bonds, Series 2010 (Non-AMT), in the aggregate principal amount of \$151,705,000 (the "Series 2010 Bonds"). The Series 2010 Bonds are authorized and issued pursuant to a resolution adopted by the Board of Directors of the Authority on November 22, 2010 (the "Resolution"), as supplemented by a Pricing Certificate executed by the Chairman of the Board of Directors (the Resolution and the Pricing Certificate being referred to herein collectively as the "Authorizing Resolution"). The Series 2010 Bonds are issued under and secured by the Trust Indenture dated as of June 1, 1990, between the Authority and Synovus Bank, a Georgia banking corporation (as successor in title to First Commercial Bank) (the "Trustee"), as heretofore supplemented and amended and as further supplemented by a Seventh Supplemental Indenture dated as of December 1, 2010 between the Authority and the Trustee (the Trust Indenture as so supplemented and amended being referred to herein as the "Indenture"). All capitalized terms used and not defined herein shall have the same meanings set forth in the Indenture.

The Series 2010 Bonds are being issued as fully registered bonds, dated the date of delivery, and are being issued in denomination of \$5,000 each or any integral multiple thereof. The Series 2010 Bonds mature, bear interest, are payable and are subject to redemption prior to maturity in the manner and upon the terms and conditions set forth therein and in the Indenture. The Series 2010 Bonds do not constitute a debt or financial obligation, nor a pledge of the faith and credit or taxing power, of the City of Birmingham, Alabama, or the State of Alabama or any political subdivision thereof. The Authority has no taxing power.

In our capacity as Co-Bond Counsel, we have examined Chapter 3 of Title 4 of the Code of Alabama 1975, as amended (the "Authorizing Statute"), a form of the Series 2010 Bonds, and such other documents, records of the Authority and other instruments as we deem necessary to form an appropriate basis for us to render this opinion, including original counterparts or certified copies of the Authorizing Resolution, the Indenture, a certified transcript of the record of proceedings of the Board of Directors preliminary to and in the authorization of the Series 2010 Bonds, and certificates of the Authority (including specifically a Tax Certificate delivered on the date hereof) and others delivered in connection with the issuance of the Series 2010 Bonds. We have also reviewed and relied upon the opinions of Jones and Berry P.C. and Maynard Cooper & Gayle, P.C., Co-Counsel to the Authority, as to various matters including the organization and existence of the Authority, the due and valid authorization and delivery by the Authority of the Indenture and the Series 2010 Bonds, and the enforceability thereof against the Authority. As to questions of fact material to our opinion, we have relied upon representations of the Authority and other parties contained in the Indenture, such certified proceedings, reports, certificates and other instruments, without undertaking to verify the same by independent investigation. We have assumed the genuineness of all signatures, the legal capacity of all natural persons, the accuracy, completeness and authenticity of original documents, and the conformity with the original documents of copies submitted to us.

Based upon, subject to and limited by the foregoing, it is our opinion that, as of the date hereof and under existing law:

1. The Authority has been duly organized as a public corporation under the Authorizing Statute, with the power to execute and deliver the Indenture and to issue the Series 2010 Bonds.
2. The Series 2010 Bonds have been duly authorized, executed and delivered by the Authority and are valid and binding limited obligations of the Authority, payable solely from the Net Revenues and other sources provided therefor in the Indenture.

3. The Indenture has been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the Trustee, constitutes a valid and binding obligation of the Authority, enforceable against the Authority.

4. The Indenture creates a valid pledge of the Net Revenues of the Authority for the benefit of the Series 2010 Bonds, on a parity with the pledge thereof for the benefit of any outstanding Bonds or Additional Bonds heretofore or hereafter issued by the Authority under the Indenture.

5. Under existing statutes, regulations, rulings and court decisions, the interest on the Series 2010 Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Series 2010 Bonds are held by a person who is a "substantial user" of the facilities financed by the Series 2010 Bonds or a "related person," as those terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended (the "Code"), and is not a specific preference item or included in a corporation's adjusted current earning for purposes of the federal alternative minimum tax. The opinion set forth in the first sentence of this paragraph assumes compliance by the Authority with certain requirements of the Code that must be met subsequent to the issuance of the Series 2010 Bonds in order that the interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with such requirements. Failure to comply with such requirements could cause the interest on the Series 2010 Bonds to be includable in gross income for federal tax purposes retroactive to the date of issuance of the Series 2010 Bonds. We express no opinion herein regarding other federal tax consequences arising with respect to the Series 2010 Bonds.

6. The interest on the Series 2010 Bonds is exempt from all income taxation in the State of Alabama. We express no opinion herein regarding other State of Alabama tax consequences arising with respect to the Series 2010 Bonds.

It is to be understood that the rights of the owners of the Series 2010 Bonds and the enforceability of the Series 2010 Bonds and the Indenture may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted, and may also be subject to and limited by the exercise of judicial discretion, procedural and other defenses based on particular factual circumstances and equitable principles in appropriate cases, and to the reasonable exercise by the State of Alabama and its political subdivisions of the police power inherent in the sovereignty of the State of Alabama.

This opinion is issued as of the date hereof, and we assume no obligation to (i) monitor or advise you or any other person of any changes in the foregoing subsequent to the delivery hereof; (ii) update, revise, supplement or withdraw this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law, regulation, or governmental agency guidance, or the interpretation of any of the foregoing, that may hereafter occur, or for any other reason whatsoever; or (iii) review any legal matters incident to the authorization, issuance, and validity of the Series 2010 Bonds, the exemption from federal or state income tax of the interest on the Series 2010 Bonds, or the purposes to which the proceeds of the Series 2010 Bonds are to be applied, after the date hereof.

Respectfully Submitted,

APPENDIX E
BOOK-ENTRY-ONLY SYSTEM

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APPENDIX E

BOOK-ENTRY ONLY SYSTEM

Book-Entry Only System

The information contained in this section concerning The Depository Trust Company and its book-entry only system has been obtained from materials furnished by The Depository Trust Company to the Authority. The Authority and the Underwriters do not make any representation or warranty as to the accuracy or completeness of such information.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2010 Bonds. The Series 2010 Bonds will be fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2010 Bond certificate will be issued for each maturity of the Series 2010 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100) countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of beneficial ownership interests in the Series 2010 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2010 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2010 Bond (a "Beneficial Owner") is in turn to be recorded on the Direct Participants' and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2010 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in the Series 2010 Bonds, except in the event that use of the book-entry system for the Series 2010 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2010 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2010 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2010 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2010 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2010 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2010 Bonds, such as redemptions, defaults, and proposed amendments to the documents governing the terms of the Series 2010 Bonds. For example, Beneficial Owners of Series 2010 Bonds may wish to ascertain that the nominee holding the Series 2010 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2010 Bonds within are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such a maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2010 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2010 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any) and interest payments (including redemption proceeds) on the Series 2010 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information, from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal, premium (if any) and interest (including redemption proceeds) to Cede & Co. (or any other nominee may be requested by an authorized representation of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of the Direct and Indirect Participants.

The Authority and the Trustee cannot and do not give any assurances that DTC, the Direct Participants or the Indirect Participants will distribute to the Beneficial Owners of the Series 2010 Bonds (i) payments of principal of or interest and premium, if any, on the Series 2010 Bonds, (ii) certificates representing an ownership interest or other confirmation of beneficial ownership interests in Series 2010 Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series 2010 Bonds, or that they will do so on a timely basis or that DTC, Direct Participants or Indirect Participants will serve and act in the manner described in this Offering Memorandum. The current "rules" applicable to DTC are on file with the Securities and Exchange Commission, and the current "procedures" of DTC to be followed in dealing with Direct Participants are on file with DTC.

Neither the Authority nor the Trustee will have any responsibility or obligation to any Direct Participant, Indirect Participant or any Beneficial Owner or any other person with respect to: (1) the Series 2010 Bonds; (2) the accuracy of any records maintained by DTC or any Direct Participant or Indirect Participant; (3) the payment by DTC or any Direct Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Series 2010 Bonds; (4) the delivery by DTC or any Direct Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to bondholders; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2010 Bonds; or (6) any consent given or other action taken by DTC as bondholder.

DTC may discontinue providing its services as a depository with respect to the Series 2010 Bonds at any time by giving reasonable notice to the Authority and the Trustee. In addition, the Authority may discontinue the book-entry only system for the Series 2010 Bonds at any time by giving reasonable notice to DTC. Under either such

circumstance, in the event that a successor depositor is not obtained, certificates for the Series 2010 Bonds are required to be printed and delivered.

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APPENDIX F

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No.: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

AGM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to AGM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AGM and shall not be deemed received until received by both and (b) all payments required to be made by AGM under this Policy may be made directly by AGM or by the Insurer's Fiscal Agent on behalf of AGM. The Insurer's Fiscal Agent is the agent of AGM only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of AGM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AGM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. (FORMERLY KNOWN AS FINANCIAL SECURITY ASSURANCE INC.) has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.
(FORMERLY KNOWN AS FINANCIAL
SECURITY ASSURANCE INC.)

By _____
Authorized Officer

(212) 826-0100

Form 500NY (5/90)

APPENDIX G

SUMMARY OF CONTINUING DISCLOSURE AGREEMENT

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APPENDIX G

SUMMARY OF CONTINUING DISCLOSURE AGREEMENT

The following is a summary of the Continuing Disclosure Agreement (the "Agreement") entered into by the Authority, for the benefit of the holders of the Series 2010 Bonds, in order to assist the Underwriters in complying with the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission of the United States of America (the "Commission") pursuant to the Securities Exchange Act of 1934. Except where otherwise defined in this Appendix, all capitalized terms have the meaning assigned in the front portion of this Offering Memorandum.

Annual Report of the Authority. The Authority agrees, in accordance with the provisions of the Rule, to provide or cause to be provided through the Electronic Municipal Market Access ("EMMA") system (or such other system as may be subsequently authorized by the MSRB) established by the Municipal Securities Rulemaking Board ("MSRB"), not later than six months after the close of each fiscal year of the Authority (July 1 - June 30) commencing after June 30, 2010, the following annual financial information and operating data (the "Annual Report"): the audited financial statements of the Authority and notes thereto.

The Authority also agrees, in accordance with the Rule, to provide or cause to be provided in a timely manner through the EMMA system (or such other system as may be authorized by the MSRB) notice of any failure to provide or cause to be provided the Annual Report or any part thereof, as described in this paragraph.

Notice of Material Events. The Authority agrees to provide or cause to be provided, in a timely manner not in excess of ten (10) business days after the occurrence of the event, through the EMMA system (or such other system as may be authorized by the MSRB), notice of the occurrence of any of the following events with respect to the Series 2010 Bonds:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults, if material;
- (iii) unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2010 Bonds, or other material events affecting the tax status of the Series 2010 Bonds;
- (vii) modifications of the rights of holders of the Series 2010 Bonds;
- (viii) calls for redemption, other than scheduled mandatory redemption, of any of the Series 2010 Bonds if material, and notice of tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Series 2010 Bonds, if material;
- (xi) rating changes;
- (xii) Bankruptcy, insolvency, receivership or similar event of the Authority or of any obligated person respecting the Series 2010 Bonds;

- (xiii) the consummation of a merger, consolidation, or acquisition involving the Authority or any obligated person respecting the Series 2010 Bonds (each, an "Obligated Person") or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinance course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement related to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material.

Additional Information. The Authority may from time to time choose to provide other information in addition to the information and notices listed above, but the Authority does not undertake in the Agreement to commit to provide any such additional information or to update or to continue to provide such additional information or notices once provided.

Amendment; Waiver. The Authority may amend the Agreement and any provision of the Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel expert in federal securities laws, to the effect that such amendment or waiver would not cause the undertakings therein to violate the Rule taking into account any subsequent change in or official interpretation of the Rule.

Beneficiaries and Enforcement. The Authority agrees that its undertakings pursuant to the Rule set forth in the Agreement are intended to be for the benefit of the holders of the Series 2010 Bonds and shall be enforceable by such holders. No failure by the Authority to comply with its obligations under the Agreement shall constitute an event of default under the Indenture.

Appendix H
Financial Feasibility Report

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December 10, 2010

Mr. Al Denson
President and CEO
Birmingham Airport Authority
5900 Messer Airport Highway
Birmingham, Alabama 35212

***Subject: Financial Feasibility Report - Birmingham Airport Authority
Airport Revenue Bonds, Series 2010***

Dear Mr. Denson:

Unison Consulting, Inc. (Unison) is pleased to submit the attached Financial Feasibility Report (the Report) in support of the intent of the Birmingham Airport Authority (the Authority) to issue its Airport Revenue Bonds, Series 2010 (the Series 2010 Bonds) in the approximate aggregate principal amount of \$151.705 million. The Series 2010 Bonds are being issued to fund a portion of the costs of certain capital projects included in the Authority's capital program; to fund a reserve fund related to the Series 2010 Bonds; to fund capitalized interest on a portion of the Series 2010 Bonds; and to pay certain costs of issuance of the Series 2010 Bonds. The Series 2010 Bonds are being issued pursuant to a Trust Indenture, dated as of June 1, 1990, as supplemented by seven supplemental indentures¹ (the Trust Indenture, as supplemented, is referred to as the Indenture in this letter), by and between the Authority and First Commercial Bank (the Trustee). The Series 2010 Bonds are special obligations of the Authority, secured by a pledge of the Authority's Net Revenues (as defined in the Indenture), and certain limited funds and accounts held by the Trustee. Except as noted otherwise, all capitalized terms in this letter and the attached Report shall have the meanings set forth in the Indenture.

The Authority is an independent authority of the City of Birmingham (the City) that was established in June 1986. Birmingham-Shuttlesworth International Airport (BHM or the Airport) is owned by the City and is operated by the Authority pursuant to a 50-year lease, which became effective September 16, 1986. The Airport, which accommodated approximately 1.5 million enplanements in Fiscal Year (FY)² 2010, is classified by the FAA as a small-hub airport.³ Based on 2009 airport data, the Airports Council International – North America (the ACI-NA) ranked the Airport as 79th in the nation in terms of total passengers served and 98th in the nation in terms of total aircraft operations. The Airport is located approximately four miles northeast of downtown Birmingham business district, within the city limits of the City. The Airport encompasses approximately 2,600 acres of land.

¹ A First Supplemental Indenture dated as of September 15, 1993, a Second Supplemental Indenture dated October 1, 1996, a Third Supplemental Indenture dated January 1, 1999, a Fourth Supplemental Indenture dated October 1, 2003, and a Fifth Supplemental Indenture dated October 1, 2003, a Sixth Supplemental Indenture dated July 1, 2007, and as further supplemented by a Seventh Supplemental Indenture dated as of December 1, 2010

² The Authority's fiscal year begins on July 1st and ends on June 30th.

³ Any airport that enplanes between 0.05 percent and 0.25 percent of total domestic U.S. enplanements is classified by the FAA as a small hub airport.

Purpose of the Bond Financing

The Authority's Capital Improvement Program (CIP) includes a number of capital improvement projects, estimated to total approximately \$369.169 million. The largest component of the CIP is the Terminal Modernization Program (TMP), which is estimated to cost approximately \$201.649 million. The TMP involves the complete modernization and expansion of the Airport's passenger terminal, the renovation or replacement of all 19 aircraft boarding gates, and the replacement or substantial upgrade of the critical utilities for the terminal complex. The CIP also includes the rehabilitation of both runways, the relocation of Taxiway A, improvements to the parking garage, the expansion of the air carrier apron, and various other capital projects designed to provide critical capital improvements and preserve existing assets at the Airport.

On November 29, 2010, the Authority executed a construction contract, pursuant to which the construction firm is obligated to manage and construct the TMP under a guaranteed maximum price. The Authority has also set aside contingency funds within the estimated TMP price of \$201.649 million. The Authority anticipates that the total cost of the TMP will not exceed \$201.649 million. If, for any reason, the Authority becomes aware of any factors that would cause the total cost of the TMP to exceed \$201.649 million, the Authority will look to revise the scope of the project and/or fund any cost overrun with other funds, such as amounts on deposit in the CIF, or any other equity resources the Authority may have at its disposal at the time. The Authority does not expect to have to issue additional bonds for costs related to the TMP.

The costs of the Authority's CIP are expected to be funded from the following sources: (1) the Series 2010 Bonds; (2) Passenger Facility Charges (PFCs); (3) federal grants; (4) Voluntary Airport Low Emission (VALE) funds; and (5) Authority funds.

The Series 2010 Bonds are being issued to finance approximately \$126.1 million in CIP costs. In addition to financing capital program costs associated with the CIP, the Series 2010 Bonds are being issued to fund capitalized interest on the Series 2010 Bonds, fund a reserve fund for the Series 2010 Bonds, and pay costs of issuance of the Series 2010 Bonds.

Rate Covenant and Additional Bonds Test

Under the Indenture, the Authority has covenanted to fix, charge, and collect rates, fees, rentals, and charges in each Fiscal Year which will:

1. Generate Revenues at least equal to the sum of the Current Expenses due in the Fiscal Year and the amounts required to be deposited from the Revenue Fund into the Bond Fund, the Reserve Fund, and the Subordinate Debt Fund in such Fiscal Year;
2. Generate Net Revenues at least equal to 125 percent of the aggregate amount required to be deposited from the Revenue Fund into the Bond Fund during such Fiscal Year under the provisions of the Indenture; and
3. Generate sufficient cash to pay Current Expenses due in such Fiscal Year and to make the deposits required to be made into the Bond Fund in such Fiscal Year.



The Indenture contains an additional bonds test, which can be satisfied by an accountant's certificate that shows the applicable coverage calculation on a historical basis and by a certificate prepared by an airport consultant that shows the applicable coverage calculation on a projected basis. The historical coverage calculation must be for the most recently completed Fiscal Year for which audited financial statements are available. If the bonds are being issued to fund capital improvements, the projected coverage calculation must cover the period from the first full fiscal year following the issuance of the proposed bonds through the later of:

(1) the earlier to conclude of:

(a) the third full fiscal year after the date in which the capital improvements will be completed and placed in service; or

(b) the third full fiscal year after the end of the capitalized interest period on the bonds;

or (2) the fifth full fiscal year after the date of issuance of the bonds.

The attached Report includes calculations of historical and projected Net Revenues, to evaluate the ability of the Authority to meet the requirements of the Rate Covenant and the additional bonds tests specified in the Indenture.

Pursuant to the Seventh Supplemental Indenture, the Authority has irrevocably committed a portion of the PFCs it expects to receive in the future to the payment of a portion of the debt service on the Series 2010 Bonds. On November 4, 2010, the Authority received the FAA's Final Agency Decision (FAD) approving the Authority's plan to collect approximately \$151.5 million in PFCs for principal and interest costs on the Series 2010 Bonds.

Airline Rates and Charges

Prior to December 31, 2005, the airlines operating at BHM did so under a long-term Airport Use and Lease Agreement (the Airline Agreement). The rate methodology specified in the Airline Agreement provided for a credit to the airlines' landing fee requirement of 50 percent of all non-airfield net revenues. From January 1, 2006 through February 28, 2009, the airlines operated without an agreement in place. During that time period, the airlines were charged rental rates and landing fees based on the rate methodology specified in the expired Airline Agreement. Effective March 1, 2009, the Authority changed its rate setting methodology to an approach that credits the Terminal cost center with 25 percent of all Terminal non-airline revenues, and the landing fee calculation includes credits for fuel flowage fees and certain other Airfield revenues.

As of the date of the Report, the airlines are paying the Terminal Rental rate and Landing Fee rate established on March 1, 2009, based on estimated amounts at that time, with no subsequent adjustments for updated financial information. The financial projections presented in the attached Report assume that the current rate methodology will continue in effect throughout the forecast period.



It is further assumed that effective January 1, 2011, the Authority will implement a revised Terminal Rental rate and a revised Landing Fee rate based on estimated FY 2011 financial information, and that the rates and charges will be revised at the beginning of each Fiscal Year thereafter based on updated financial information.

The Authority is in the process of negotiating a new airline agreement. Changes in the rate methodology, if any, are not known at this time. Therefore, the attached Report only makes reference to potential changes to the rate methodology that could be incorporated into a new airline agreement.

Report Organization

Unison has prepared the attached Report to evaluate the ability of the Authority to meet the financial requirements established by the Indenture. The following summary of the components of the attached Report provides an overview of the comprehensive analysis performed:

- **Section I** describes the Authority and the Airport.
- **Section II** describes the Authority's CIP and the plan of finance.
- **Section III** defines the Airport's air service area and discusses the local economic base.
- **Section IV** analyzes the historical aviation activity at the Airport and presents forecasts of future aviation activity.
- **Section V** reviews the airline rates and charges methodology.
- **Section VI** reviews the framework for the financial operation of the Authority, including key provisions of the Indenture. This section also reviews the recent historical financial performance of the Authority, and examines the ability of the Authority to generate sufficient Net Revenues in each year of the forecast period to meet the obligations of the Indenture.

Assumptions

The analysis and forecasts contained in the attached Report are based upon certain data, estimates, and assumptions that were provided by the Authority, and certain data and projections from other independent sources. The attached Report should be read in its entirety for an understanding of the forecasts and the underlying assumptions. In our opinion, the data, estimates, and assumptions used in the report are reliable, and provide a reasonable basis for our forecast given the information available and circumstances as of the date of this Report. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized, and unanticipated events and circumstances may occur. Therefore, the actual results achieved may vary from the forecasts, and the variations could be material.



The major assumptions utilized in the attached Report are listed below:

1. The Authority will complete the projects listed in the CIP, including the projects to be funded with the proceeds of the Series 2010 Bonds, within the budgeted costs and according to the estimated schedule.
2. The Authority will receive approximately \$183.5 million in FAA AIP grants, consisting of approximately \$22.3 million in entitlement grants, \$107.8 million in discretionary grants, and \$53.4 million in noise grants for eligible project costs.
3. The Authority will receive approximately \$8.8 million in VALE funding for eligible project costs.
4. The current airline rates and charges methodology will continue in effect throughout the forecast period.
5. The forecasts of aviation activity presented in the attached Report were developed using an approach that utilizes published airline schedules to forecast activity for FY 2011 and an econometric model that links long-term air traffic activity to projected trends in key demand drivers during the remainder of the forecast period. The multivariate regression model relates enplanements to (1) long-term demand drivers such as trends in the price of air travel and economic activity, and (2) structural changes that have been taking place in the industry since September 11, 2001, with an appropriate correction for serial correlation in historical time series data. Different assumptions regarding the pace of economic recovery in the U.S. produced three forecast scenarios. The high scenario is based, among other factors, on an independent forecast of moderate economic recovery, while the base and low forecast scenarios assume a sluggish economic recovery. In addition, the low scenario simulates a potential adverse impact of the proposed acquisition of AirTran Airways by Southwest Airlines (Southwest),⁴ which has the largest market share at BHM (45.2 percent in FY 2010). The implications of the proposed merger on air service at BHM are unknown as of the date of the attached Report. The low scenario assumes a 25 percent reduction in forecast enplanements for Southwest at BHM, to simulate a potential adverse impact in the case of a service consolidation by Southwest at the other nearby commercial service airports (Hartsfield-Jackson Atlanta International Airport and Huntsville International Airport) currently served by AirTran.
6. The base air traffic forecast is used throughout the financial analysis presented in the attached Report. In addition, projections of key financial variables under the low air traffic forecast are presented at the end of the attached Report.

⁴ On September 27, 2010, Southwest Airlines announced that it had entered into a definitive agreement to acquire AirTran Holdings, Inc., the parent company of AirTran Airways. The low scenario simulates a potential adverse impact, if the merger of the two airlines occurs.



Findings and Conclusions

Based upon the assumptions and analysis presented in the attached Report, we forecast that the Authority will be able to comply with the rate covenant provisions of the Indenture and other governing legal documents, while maintaining a reasonable airline cost per enplaned passenger. Specifically, we conclude the following:

- The Additional Bonds Tests of the Indenture are projected to be met, as reflected on Table IV-11 of the Report. Debt service coverage is projected to remain above the 1.25 minimum requirement, with a projected minimum of 1.68 during the period FY 2011 through FY 2017.
- For the purposes of meeting the additional bonds test under the Indenture, the Authority's subordinate debt service coverage was 1.94 in FY 2009 and 2.19 in FY 2010 – well above the 1.25 minimum requirement.
- The airline cost per enplaned passenger is projected to increase from \$7.72 in FY 2011 to \$12.05 in FY 2017. Although that level is higher than the other small-hub airports surveyed, it is important to note that the cost per enplanement amounts for other airports are based on current costs and do not include the potential effect of any future capital improvements at those airports. In addition, this comparison is being made to BHM's projected costs in FY 2017 (six years in the future). The Authority has no additional projects planned that would have a significant impact on the airline cost per enplanement. Also, in our professional judgment, the costs could be further managed, if necessary, if the Authority is willing to explore other alternatives, such as: (1) credit a larger share of non-airline revenues in the airline rate base; or (2) fund certain costs from the Capital Improvement Fund (CIF), and not include such costs in the airline rate base, provided that the balance in the CIF is sufficient to provide the Authority with adequate liquidity levels.
- Under the low air traffic forecast scenario, debt service coverage is projected to remain at or above 1.48 throughout the forecast period, and the airline cost per enplanement is projected to increase to \$13.54 in FY 2017. An additional sensitivity analysis was performed under the low enplanement forecast scenario, to evaluate a scenario that assumes the Authority does not receive the \$8.8 million in anticipated VALE funding, and instead funds those costs with Authority funds, and includes the associated amortization charges in the airline rate base. This sensitivity analysis results in a projected airline cost per enplanement of \$13.60 in FY 2017.

Sincerely,

UNISON CONSULTING, INC.

Unison Consulting, Inc.



FINANCIAL FEASIBILITY REPORT

BIRMINGHAM AIRPORT AUTHORITY

AIRPORT REVENUE BONDS, SERIES 2010

December 10, 2010



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SECTION I INTRODUCTION

This Report considers the financial feasibility of the issuance of the Birmingham Airport Authority Airport Revenue Bonds, Series 2010 (the Series 2010 Bonds). The Series 2010 Bonds are being issued to fund a portion of the cost of certain capital projects included in the Capital Improvement Program (CIP), including the Terminal Modernization Program (defined in Section II), of the Birmingham Airport Authority (the Authority).

This Report is organized into the following sections:

- **Section I** describes the Airport and the Authority.
- **Section II** describes the Authority's CIP, including the Terminal Modernization Program, and the plan of finance.
- **Section III** defines the Airport's air service area and discusses the local economic base.
- **Section IV** analyzes the historical aviation activity at the Airport and presents forecasts of future aviation activity.
- **Section V** reviews the airline rates and charges methodology.
- **Section VI** reviews the framework for the financial operation of the Authority, including key provisions of the Indenture. This section also reviews the recent historical financial performance of the Authority, and examines the ability of the Authority to generate sufficient Net Revenues in each year of the forecast period to meet the obligations of the Indenture.

A. THE BIRMINGHAM AIRPORT AUTHORITY

The Authority is an independent authority of the City of Birmingham (the City) that was established in June 1986. Birmingham-Shuttlesworth International Airport (BHM or the Airport) is operated by the Authority pursuant to a 50-year lease (the City Lease), which became effective on September 16, 1986 and expires on September 15, 2045. Under the terms of the City Lease, all real property acquired by the Authority is conveyed to the City and becomes subject to the terms and conditions of the City Lease.

The Authority is governed by an eight-member Board of Directors (the Board). The Board appoints a President and CEO to serve as chief operating officer. Directors of the Board are nominated by the Mayor of the City and elected by the City Council. Directors are elected to staggered six-year terms. The Mayor is a

non-voting ex-officio director. The current members of the Board are Gaynell Hendricks (Chairperson), Steven W. Hoyt (Vice-Chairman), Jeaniece Allen, David W. Wood II, Michael H. Bell, John E. Burks, Sr., G. Ruffiner Page, Jr., and William Bell (Mayor Ex Officio Member).

The operations and improvements at BHM are funded by airport user charges, Passenger Facility Charges (PFCs), bond funds, and funds received from the Federal Aviation Administration (FAA) and the Transportation Security Administration (TSA). No general tax fund revenues are used to operate or maintain the Airport. Al Denson, Authority President and CEO, has overall responsibility for the management, administration, and planning of the Authority. Mr. Denson has an experienced staff to aid him in carrying out the responsibilities of the position.

The City Lease requires that the annual operating budget and the five-year capital improvement budget of the Authority be submitted to the Mayor of the City and the City Council for approval. The Authority maintains financial records in accordance with generally accepted accounting principles and practices and is subject to an independent audit at any time at the discretion of the City. On June 1, 1990, the City Lease was amended such that the Authority's financial obligation under the City Lease was subordinated to any pledge of the Authority of its revenues to secure any indebtedness.

B. BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT

The Airport is located in the largest city in the state and serves the Birmingham-Hoover Metropolitan Statistical Area (Birmingham-Hoover MSA) as its primary air service area. During the Authority's Fiscal Year ended June 30, 2010 (FY 2010),¹ the Airport enplaned approximately 1.5 million passengers. The FAA classifies BHM as a small-hub airport, the category of airports enplaning between 0.05 percent and 0.25 percent of annual U.S. enplanements. Based on calendar year 2009 data, the Airports Council International – North America (ACI-NA) ranked BHM 79th in the nation in terms of total passengers, 98th in the nation in terms of total aircraft operations, and 91st in terms of total air cargo. The Airport is located four miles northeast of downtown Birmingham, within the city limits of the City.

Birmingham Airport opened on May 31, 1931. On July 16, 2009, the Board approved a change in the Airport's name to the Birmingham-Shuttlesworth International Airport, to recognize Reverend Fred Shuttlesworth, a civil rights leader in Birmingham. The Airport is the largest commercial service airport in Alabama.

The Airport's terminal complex consists of the passenger terminal building (the Main Terminal Building) and Terminal A. The Main Terminal Building is semi-

¹ The Authority's fiscal year begins on July 1st and ends on June 30th.

circular with two linear concourses (Concourses B and C). The Main Terminal Building has 19 second-level aircraft gate positions, consisting of 15 second-level boarding positions for air carrier aircraft, two ground-level boarding positions, and two expansion gates. Adjacent to the Main Terminal Building is Terminal A, containing approximately 50,000 square feet. Terminal A is no longer used as a passenger facility, having been converted to a general purpose facility used mainly for small package processing and administrative offices.

A seven-level parking deck, located across the terminal access roadway, contains approximately 5,452 spaces, including 349 ready-return spaces for rental cars. The remaining 5,103 spaces are used for public parking: 4,756 long-term public parking spaces and 347 short-term spaces. A remote public parking lot provides an additional 773 spaces for both short-term and long-term public parking.

The Airport's airfield contains two air carrier runways (Runway 6/24 and Runway 18/36), in an open "V" configuration. In 2007, Runway 6/24 was extended to 12,000 feet in length. It accommodates a fully loaded and fully fueled 747 cargo aircraft taking off on a nonstop overseas flight. Runway 18/36 is 7,100 feet long and 150 feet wide.

Ground access to the Airport is provided from the east, via the Messer-Airport Highway from I-20/59. The following three interstate highways merge in Birmingham as I-20/59 to serve Tuscaloosa to the southwest: I-65 between Huntsville-Decatur to the north and Montgomery to the south; I-59 from Gadsden in the northeast; and I-20 from Anniston in the east.

Other facilities at the Airport include an aircraft maintenance complex, air cargo buildings, a fixed based operator (FBO), rental car service facilities, an Authority maintenance building, an FAA tower, and an FAA flight service station. The aircraft maintenance complex, consisting of 12 maintenance hangars with associated aircraft parking aprons and taxiways, is located on the southwest side of the Airport adjacent to the Messer-Airport Highway. There are currently two air cargo buildings and associated aircraft aprons at the Airport, one of which is located adjacent to Terminal A, and the other is located south of Runway 6/24. The Authority plans to demolish the older of the two air cargo facilities (the facility adjacent to Terminal A) to accommodate the planned expansion of the Main Terminal Building, as described in **Section II**. Atlantic Aviation, the FBO, serves general aviation and executive aircraft operators at the Airport.

SECTION II CAPITAL IMPROVEMENT PROGRAM

The Authority has a five-year CIP involving capital expenditures designed to provide critical capital improvements and preserve existing assets at the Airport. The largest component of the CIP is the Terminal Modernization Program (TMP). The CIP also includes a number of Airfield capital projects and other projects, including the restoration of the parking deck.

A. ESTIMATED CIP COSTS

The CIP is estimated to cost 369.196 million, of which \$201.649 million, or 54.6 percent, represents the estimated costs of the TMP. Airfield projects, including land acquisition, the rehabilitation of both runways, the relocation of Taxiway A, the expansion of the air carrier apron, are estimated to cost \$144.047 million. Other projects, including the renovation of the parking deck, new vehicles and equipment, and a new maintenance building, are estimated to total \$23.500 million. The projects included in the CIP and their estimated costs are listed on **Table II-1** and described below.

1. Terminal Modernization Program: \$201.649 million

The Main Terminal Building, which was constructed in 1973, has not undergone a major renovation in 20 years, and the building systems and exterior skin have failed in many areas. The “Birmingham International Airport Terminal Modernization Program Criteria Document” (February 2006) reported the results of a thorough inspection and needs assessment of the Main Terminal Building. It identified various fundamental problems, including: (1) the roof no longer adequately protects the building; (2) the exterior walls leak and are inadequately insulated; (3) the primary building systems (electrical, mechanical, and fire protection) are at the end of their useful lives and in many cases no longer meet current codes; (4) major components of the existing central plant need to be replaced; and (5) the functional layout of the building is not conducive to the current needs of airline operations, passenger screening, concessions operations, baggage screening, and other functions.

On November 29, 2010, the Authority executed a construction contract, pursuant to which the construction firm is obligated to manage and construct the TMP under a guaranteed maximum price. The Authority has also set aside contingency funds within the estimated TMP price of \$201.649 million. The Authority anticipates that the total cost of the TMP will not exceed \$201.649 million. If, for any reason, the Authority becomes aware of any factors that would cause the total cost of the TMP to exceed \$201.649 million, the Authority will look to revise the scope of the project and/or fund any cost overrun with other funds, such as amounts on deposit in the CIF, or any other equity resources the Authority may have at its disposal at the time. The Authority does not expect to have to issue additional bonds for costs related to the TMP.

TABLE II-1
TOTAL CAPITAL PROJECT COST SUMMARY
ESTIMATED CAPITAL COSTS
Fiscal Years ending June 30

	Pre-2011	2011	2012	2013	2014	2015	Total
Terminal Modernization Program	\$16,318,407	\$61,143,969	\$50,077,023	\$62,021,879	\$12,087,872	\$0	\$201,649,150
Airfield							
Acquire Noise Land	46,704,616	8,000,000	2,788,710	-	-	-	57,493,326
Land Acquisition for Cargo Development	-	8,000,000	-	-	-	-	8,000,000
Acquire Environmental Impacted Land	3,879,292	1,968,040	800,000	-	-	-	6,647,332
Runway 6/24 Rehabilitation	-	-	20,000,000	-	-	-	20,000,000
Runway 18/36 Rehabilitation	-	-	-	-	7,100,000	4,000,000	11,100,000
Other Runway Projects	2,678,000	3,200,000	-	-	75,000	-	5,953,000
Taxiway A Relocation (Design)	-	8,000,000	-	-	-	-	8,000,000
Taxiway A Permanent Repair	-	3,000,000	-	-	-	-	3,000,000
Other Taxiway Projects	1,116,000	-	-	-	-	-	1,116,000
Expand Air Carrier Apron	-	-	8,000,000	-	-	-	8,000,000
Security Measures	-	-	-	6,000,000	-	-	6,000,000
Infield Service Road Extension	-	3,000,000	-	-	-	-	3,000,000
Other Airfield Projects	4,237,000	-	1,500,000	-	-	-	5,737,000
Total Airfield	\$58,614,908	\$35,168,040	\$33,088,710	\$6,000,000	\$7,175,000	\$4,000,000	\$144,046,658
Other Projects							
Parking Deck Restoration	-	5,000,000	5,000,000	-	-	-	10,000,000
Parking Revenue Control System Upgrade	-	1,500,000	-	-	-	-	1,500,000
Vehicles and Equipment	-	1,250,000	1,250,000	1,250,000	1,250,000	-	5,000,000
New Maintenance Building	-	2,000,000	2,000,000	-	-	-	4,000,000
ARFF Station	-	2,500,000	-	-	-	-	2,500,000
Master Plan Update	-	500,000	-	-	-	-	500,000
Total Other Projects	\$0	\$12,750,000	\$8,250,000	\$1,250,000	\$1,250,000	\$0	\$23,500,000
Total Capital Project Costs	\$74,933,315	\$109,062,009	\$91,415,733	\$69,271,879	\$20,512,872	\$4,000,000	\$369,195,808

The TMP involves the complete modernization and expansion of the Main Terminal Building, including the concourses, and the replacement and upgrading of critical utilities. The project will expand the size of the Main Terminal Building from 244,000 square feet to 424,000 square feet, and will result in a reconstructed facility with new interior spaces. The project will also include:

- Security projects, including the construction of new passenger screening lanes utilizing the most current equipment, a new access control system, a new alarm system, new security equipment; construction of a secured loading dock, security enhancements to the elevators, and improved roadway barriers;
- Improvements to baggage screening devices and baggage make-up, including a new, integrated outbound baggage handling system that will eliminate the need to have baggage screening units in the ticket lobby areas;
- Purchase and installation of 19 new jet bridges;
- Enhancements to the food and retail concession areas, and the relocation of the majority of the food concession areas from pre-security to post-security;
- Improvements to the baggage claim area;
- Upgrades to the central plant and HVAC system;
- Upgrades to improve the energy efficiency of the facility, including more efficient lighting, solar water heating, and a rainwater collection and distribution system;
- Construction of a Federal Inspection Service (FIS) facility;
- Improvements to signage and informational displays;
- New and efficient elevators in the parking deck;
- Construction of a pedestrian ramp from the third level of the parking deck to the Main Terminal Building;
- Relocation of tenants from the old cargo building to the new cargo building and demolition of the old cargo building to accommodate the expansion of the Main Terminal Building;
- New artwork, including work by local artists; and
- Other improvements as identified in the pre-design process.

2. Airfield Projects: \$144.047 million

- a. *Acquire Noise Land: \$57.5 million.* The Authority plans to purchase land to implement the recommendations of the FAR Part 150 Noise Study

- Update. This is a multi-year program that is being implemented as Federal funding becomes available.
- b. Acquire Land for Cargo Development: \$8.0 million.* Land is to be acquired adjacent to the current Airport boundaries, to provide for future air cargo facility development.
 - c. Acquire Environmental Impacted Land: \$6.6 million.* The Authority plans to acquire properties left in isolated areas after the noise acquisition phases are completed.
 - d. Runway 6/24 Rehabilitation: \$20 million.* The surface of Runway 6/24 will be rehabilitated. The project will involve the removal of a portion of the asphalt surface, followed by the repaving and sealing of the surface, and the repainting of all markings.
 - e. Runway 18/36 Rehabilitation: \$11.1 million.* The surface of Runway 18/36 will be rehabilitated. A portion of the asphalt surface will be removed, and the runway will be repaved and sealed, and all markings will be repainted. The project may include the strengthening of the runway to support aircraft weights equal to those that can be supported by Runway 6/24.
 - f. Other Runway Projects: \$6.0 million.* Other runway projects included in the CIP are: (a) Runway 18/36 Protection Zone (RPZ), which involves the purchase and removal of 16 homes and one church to clear the RPZ (\$2.5 million); (b) Runway 18/36 Electrical Cable and Signs, which will include replacing the buried cables that provide electrical service to the runway lighting and signage lighting (\$1.5 million); (c) Repair Runway 18/36 Depression (\$1.0 million); (d) Runway 18/36 Safety Area (RSA) Grading, to correct the slope and stream of the RSA to meet the requirements of FAA regulations and Advisory Circulars (\$0.7 million); (e) Upgrade Runway 6/24 Signage, to comply with the latest FAA guidelines (\$0.2 million); and (f) Replacement of Runway 18/36 Precision Approach Path Indicator (\$75,000).
 - g. Taxiway A Relocation Design: \$8.0 million.* The distance between Taxiway A and Runway 6/24 does not meet separation standards. This project involves the design and engineering of the relocation of Taxiway A to satisfy separation standards.
 - h. Taxiway A Permanent Repair: \$3.0 million.* Taxiway A southwest of Runway 18/36 will be evaluated to determine what sections need to be repaired. This project will also include the engineering and design, and performance of the necessary repairs.

- i. Other Taxiway Projects: \$1.1 million.* The CIP includes two other Taxiway projects: (a) Taxiway A Environmental Assessment, a necessary project before Taxiway A can be relocated to meet separation standards for the distance between Taxiway A and Runway 6/24 (\$0.8 million); and (b) Demolish Taxiway A-6, to eliminate the possibility of runway incursions (\$0.3 million).
- j. Expand Air Carrier Apron: \$8.0 million.* The air carrier apron on the south side of Concourse C will be expanded to allow increased spacing between taxiing aircraft and aircraft parked at the gates, thereby enabling larger aircraft to use the gates. This project will include work necessary to make room for the apron expansion, including the removal and replacement of the Authority maintenance building, equipment yard, incinerator, and fuel farm.
- k. Security Measures: \$6.0 million.* Planned improvements included in this project will enable the Authority to meet the increased security measures requested by the TSA. The work will include an upgrade and additions to the CCTV system, installation of an electric gate between the maintenance hangar complex and the secured areas, the installation of a barrier on the access road, and the acquisition and demolition of an old school building.
- l. Infield Service Road Extension: \$3.0 million.* The infield service road will be extended alongside Taxiways P and A, connecting it to the existing road, and completing the service road around Runway 6/24, connecting it to the existing portion at Taxiway M.
- m. Other Airfield Projects: \$5.7 million.* Other Airfield projects include: (a) Airfield Environmental Project, which will involve the planting of grass and the construction of drainage facilities to control erosion (\$2.2 million); (b) Perimeter Intrusion Detection System, to evaluate, engineer, and install a system to detect and respond to unauthorized intrusions into the Airport security perimeter (\$1.5 million); (c) Grade Runway 6/24 Glideslope, to bring the area into compliance with FAA regulations and Advisory Circulars (\$0.7 million); (d) Lower Hill Runway 6/24, to remove a section of the surface of the hill at the Northeast end of Runway 6/24 (\$0.6 million); (e) Runway Edge Lights, to reconfigure the spacing of the runway edge lights at runway/taxiway intersections as required by the FAA; (\$0.5 million); and (f) Enhanced Airfield Markings and Hold Signs, to install surface painted runway holding position markings at runway/taxiway intersections as required by the FAA (\$0.2 million).

3. Other Projects: \$23.5 million

- a. *Parking Deck Restoration: \$10.0 million.* Extensive restoration work will be performed on the parking deck, including the replacement of worn expansion joints and the strengthening of the concrete in numerous locations throughout the facility.
- b. *Parking Revenue Control System Update: \$1.5 million.* The existing hardware, software, and equipment in the parking deck revenue control system will be updated and enhanced, to improve revenue control, provide enhanced management tools, and reduce system errors and down time.
- c. *Vehicles and Equipment: \$5.0 million.* This project is to provide for the gradual replacement of worn out vehicles and equipment, at the rate of approximately \$1.0 million per year during the five year CIP.
- d. *New Maintenance Building: \$4.0 million.* A new modern facility will be designed and built to service and store all equipment, parts, and supplies used to maintain the Authority's buildings and Airfield infrastructure.
- e. *Aircraft Rescue and Firefighting (ARFF) Station: \$2.5 million.* ARFF support is currently provided through a cooperative agreement with the Alabama National Guard, which is stationed at BHM. This project will provide an ARFF station to enable BHM to provide ARFF services on its own.
- f. *Master Plan Update: \$0.5 million.* This project will update the Airport's Master Plan, to facilitate future planning.

B. CIP FUNDING PLAN

The costs of the Authority's capital program are expected to be funded from the following sources: (i) the Series 2010 Bonds; (ii) PFCs; (iii) FAA Airport Improvement Program (AIP) grants; (iii) TSA funds; (v) Voluntary Airport Low Emissions (VALE) program; and (vi) Authority funds. **Table II-2** summarizes the funding plan for the Authority's capital program, which is reflected in the financial analysis presented in **Section VI**. The estimated sources and uses of funds, and projected debt service for the Series 2010 Bonds are presented in **Section VI**.

BIRMINGHAM AIRPORT AUTHORITY
Financial Feasibility Report

TABLE II-2
BIRMINGHAM AIRPORT AUTHORITY
CAPITAL PROGRAM
ESTIMATED FUNDING PLAN

	Series 2010 Bonds ¹	PFC Pay-As- You-Go	AIP Grants				Authority Funds	VALE	TSA	Total
			Entitlements	Discretionary	Noise Funds	Total AIP Grants				
Terminal Modernization Program	\$116,075,430	\$15,603,206	\$22,337,976	\$18,386,540	\$0	\$40,724,516	\$6,168,781	8,773,988	\$14,303,230	\$201,649,150
Airfield										
Land Acquisition	0	4,400,891	0	13,914,965	53,424,802	67,339,767	400,000	0	0	72,140,658
Runways	0	0	0	35,200,350	0	35,200,350	1,852,650	0	0	37,053,000
Taxiways	0	0	0	11,510,200	0	11,510,200	605,800	0	0	12,116,000
Other	0	0	0	21,600,150	0	21,600,150	1,136,850	0	0	22,737,000
Total Airfield	\$0	\$4,400,891	\$0	\$82,225,665	\$53,424,802	\$135,650,467	\$3,995,300	\$0	\$0	\$144,046,658
Other Projects	10,000,000	0	0	7,150,000	0	7,150,000	6,350,000	0	0	23,500,000
Total Capital Program	\$126,075,430	\$20,004,097	\$22,337,976	\$107,762,205	\$53,424,802	\$183,524,983	\$16,514,081	\$8,773,988	\$14,303,230	\$369,195,808

¹ It is anticipated that \$66.0 million of the proceeds of the Series 2010 Bonds will fund PFC-eligible projects. The portion of the debt service associated with those costs will be paid with PFCs.

1. Series 2010 Bonds

The Series 2010 Bonds are being issued to finance approximately \$126.1 million in CIP costs, fund capitalized interest, fund a reserve fund, and pay costs of issuance of the Series 2010 Bonds. The funding plan anticipates that \$66.0 million of the CIP costs being funded with the proceeds of the Series 2010 Bonds are PFC-eligible costs. Therefore, the financial analysis presented in this Report assumes that PFCs will be used to fund the debt service associated with the PFC-eligible costs, as explained in the description of PFCs in the following subsection. Of the remaining \$61.1 million in project costs to be funded from the proceeds of the Series 2010 Bonds (which are non-PFC-eligible costs), approximately 83.4 percent, or \$50.1 million, represents the costs of the TMP. The remaining \$10.0 million in capital costs to be funded with the proceeds of the Series 2010 Bonds represent a portion of the costs of the parking deck project.

2. PFCs

The Authority received approval from the FAA to impose a \$3.00 PFC at BHM on May 8, 1997, with a collection start date of August 1, 1997. On July 7, 2008, the FAA approved the Authority's PFC application to increase the charge per enplaned passenger from \$3.00 to \$4.50 beginning on October 1, 2008. In total, the Authority has received approval from the FAA to collect approximately \$64.0 million in PFCs, and approval to use approximately \$59.8 million in PFCs. On September 20, 2010, the Authority submitted a PFC application requesting authority to collect approximately \$151.5 million for principal and interest costs on the Series 2010 Bonds related to the TMP costs. On November 4, 2010, the Authority received the FAA's Final Agency Decision (FAD) approving the Authority's plan to collect approximately \$151.5 million in PFCs for principal and interest costs on the Series 2010 Bonds.

The CIP funding plan includes approximately \$20.0 million in Pay-As-You-Go PFC funding for eligible capital program costs, including the \$15.6 million for TMP costs and \$4.4 million for land acquisition costs. As mentioned above, the funding plan also includes approximately \$59.0 million in TMP costs to be funded with a portion of the proceeds of the Series 2010 Bonds, with the corresponding debt service being paid with PFCs. The Authority anticipates applying approximately \$142.9 million of PFCs to the payment of debt service on the Series 2010 Bonds.

Through September 30, 2010, the Authority had collected PFCs totaling approximately \$57.135 million, had earned a total of \$1.383 million in interest, and had disbursed a total of \$52.356 million in PFCs on eligible capital project expenditures, resulting in a balance of approximately \$6.161 million in unspent PFC collections and interest earnings as of September 30, 2010.

3. AIP Grants

AIP entitlement funds are apportioned by formula each year to individual airports or types of airports. AIP discretionary funds are awarded by the FAA based on eligible projects' priority as determined by the FAA through the application of its National Priority System (NPS). The NPS uses a combination of quantitative and qualitative factors to evaluate projects with highest priority given to projects to enhance airport safety and security. The FAA also provides funds for noise mitigation projects, including the acquisition of land. The funding plan for the Authority's capital program incorporates approximately \$183.5 million in AIP grants, consisting of approximately \$22.3 million in entitlement grants, \$107.8 million in discretionary grants, and \$53.4 million in noise grants.

4. TSA Funds

The TSA provides funding to airports to support the installation of in-line checked baggage explosive detection systems (EDS). Eligible projects include EDS equipment, facility modification and installation of EDSs included in an in-line baggage system. Projects for stand-alone EDSs and projects already completed are not eligible for funding. The Authority has entered into a Transaction Agreement with the TSA, whereby the TSA has agreed to reimburse the Authority approximately \$14.3 million, or 95 percent of the cost of EDS included in TMP.

5. VALE Funding

The Federal government provides VALE funding for certain types of capital expenditures, such as infrastructure projects, clean vehicles, and transit projects. The maximum Federal share is 95 percent for small hub airports. The Authority anticipates receiving approximately \$8.8 million in VALE funding for eligible components of the TMP. Section VI includes a sensitivity analysis that assumes the Authority does not receive the anticipated VALE funding, and instead funds those costs with Authority funds, and includes the associated amortization charges in the airline rate base.

6. Authority Funds

Pursuant to the flow of funds specified in the Indenture, all moneys remaining in the Revenue Fund as of the last day of each Fiscal Year are deposited into the Capital Improvement Fund (CIF). The Authority plans to use approximately \$16.5 million of the accumulated balance in the CIF for capital project expenditures.

SECTION III LOCAL ECONOMIC BASE

Local demographic and economic trends influence air travel demand, particularly the origin and destination (O&D) segment. This section identifies the primary air service area of the Airport and presents demographic and economic data that demonstrate the capability of the air service area to support continued traffic growth.

A. AIR SERVICE AREA

The Airport, classified as a small hub airport by the FAA, is located in the center of Alabama between the cities of Huntsville to the north, Montgomery to the south, the Mississippi state border to the west and the Georgia state border to the East.

Following are the other commercial service airports in the area:

- Huntsville International Airport (HSV), also a small hub airport, is 96 miles to the north of BHM.
- Montgomery Regional Airport (MGM), a non-hub airport,² is 103 miles to the south.
- Hartsfield-Jackson Atlanta International Airport (ATL), a large hub airport,³ is 149 miles to the east in the state of Georgia,

There are other non-hub airports in Northeast Alabama and Eastern Mississippi, between 115 and 150 miles from BHM, with limited scheduled regional service primarily to Atlanta.

The Airport is located in the largest city in the state and serves the Birmingham-Hoover MSA as its primary air service area. The U.S. Office of Management and Budget defines metropolitan statistical areas based on counties or equivalent entities in the United States and Puerto Rico, according to published standards applied to Census Bureau data. . A metropolitan statistical area is generally defined as a core area containing a substantial population, together with adjacent communities having a “high degree of economic and social integration” with that core. Additional outlying counties are included if they meet specified requirements of commuting to or from the central counties.⁴

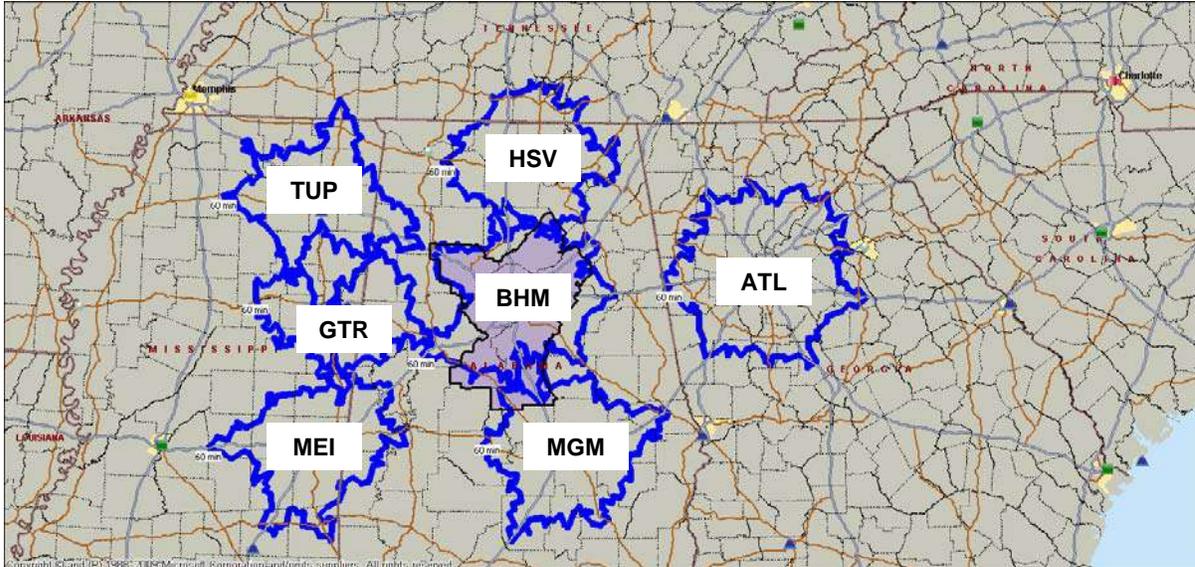
² A non-hub airport handles over 10,000 enplanements up to less than 0.05 percent of annual U.S. enplanements.

³ A large hub airport handles more than one percent of annual U.S. enplanements.

⁴ Based on information from U.S. Office of Management and Budget.

Figure III-1 shows BHM and the surrounding airports with one hour drive-time circles around them for reference. The Birmingham-Hoover MSA is located almost entirely within the one hour drive-time circle around BHM.

**FIGURE III-1
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
AIR SERVICE AREA**



Legend:

BHM – Birmingham-Shuttlesworth International Airport

ATL – Hartsfield-Jackson Atlanta International Airport

HSV - Huntsville International Airport

MGM – Montgomery Regional Airport

MEI – Meridian Regional Airport

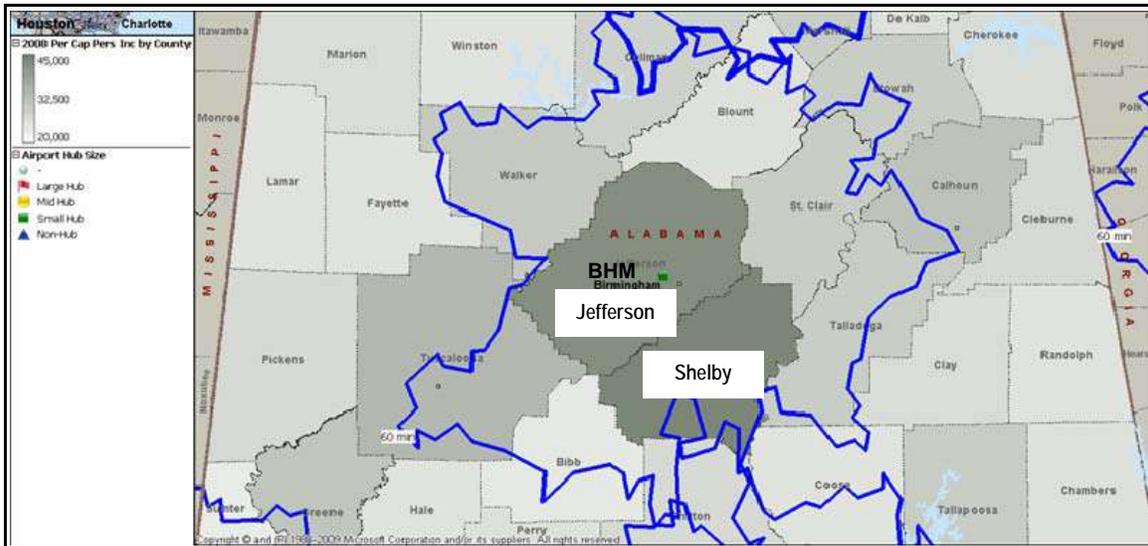
GTR – Golden Triangle Regional Airport

TUP – Tupelo Regional Airport

The Birmingham-Hoover MSA is the darker shaded area around BHM.

Secondary markets for the Airport include counties east and west of the Birmingham-Hoover MSA to the Alabama state border. **Figure III-2** shows the 2008 income per capita by county for the area around BHM. Jefferson and Shelby counties (included in the Birmingham-Hoover MSA) in the dark grey areas have an income per capita near \$45,000 per year, and the income level drops off quickly in the lighter shaded counties farther away from the metro center.

FIGURE III-2
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
AIR SERVICE AREA



B. POPULATION

The Birmingham-Hoover MSA is by far, the largest in Alabama by population, representing 24 percent of the state total (**Table III-1**). The MSA is made up of the following seven counties: Bibb, Blount, Chilton, Jefferson, St. Clair, Shelby and Walker. Jefferson County accounted for 59 percent of the MSA population in 2009. Population growth in the MSA was consistent with the national rate of 0.9 percent per year for the 2002-2009 period, faster than the Alabama state rate of 0.6 percent per year (**Table III-2**). According to Moody's Analytics the outlook is for growth to pick up slightly as the national economy recovers from recession and demand picks up for locally produced goods and services, thereby increasing employment in the local area.

**TABLE III-1
ALABAMA POPULATION BY MSA
July 1, 2009**

Geography	Population	Rank
Alabama state total	4,708,708	-
Birmingham-Hoover MSA	1,131,070	1
Mobile MSA	411,721	2
Huntsville MSA	406,316	3
Montgomery MSA	366,401	4
Columbus MSA	292,795	5
Tuscaloosa MSA	210,839	6
Decatur MSA	151,399	7
Florence-Muscle Shoals MSA	144,238	8
Dothan MSA	142,693	9
Auburn-Opelika MSA	135,883	10
Anniston-Oxford MSA	114,081	11
Gadsden MSA	103,645	12

Source: U.S. Census Bureau.

**TABLE III-2
POPULATION TRENDS IN THE BIRMINGHAM-HOOVER MSA, ALABAMA AND THE UNITED STATES
2002 - 2009**

Area	Population estimates as of July 1 of each year								Avg. Annual Growth Rate 2002-2009
	2002	2003	2004	2005	2006	2007	2008	2009	
Birmingham-Hoover MSA	1,065,089	1,073,439	1,081,705	1,090,441	1,103,572	1,112,838	1,123,146	1,131,070	0.9%
Bibb, AL	20,983	21,037	21,208	21,375	21,285	21,485	21,589	21,587	0.4%
Blount, AL	52,775	53,726	54,469	55,035	55,978	56,866	57,794	58,345	1.4%
Chilton, AL	40,460	40,776	41,170	41,510	41,821	42,362	42,696	42,971	0.9%
Jefferson, AL	659,766	660,486	660,016	659,715	661,447	661,477	663,394	665,027	0.1%
St. Clair, AL	67,090	68,292	69,966	72,004	75,223	78,515	80,287	81,895	2.9%
Shelby, AL	153,918	159,608	165,723	171,678	178,840	183,478	188,483	192,503	3.2%
Walker, AL	70,097	69,514	69,153	69,124	68,978	68,655	68,903	68,742	-0.3%
State of Alabama	4,472,420	4,490,591	4,512,190	4,545,049	4,597,688	4,637,904	4,677,464	4,708,708	0.6%
United States	287,803,914	290,326,418	293,045,739	295,753,151	298,593,212	301,579,895	304,374,846	307,006,550	0.9%

Source: U.S. Census Bureau.

C. LABOR MARKET

Trends in the labor market reflect the state of the local economy, which has followed national trends. **Table III-3** shows labor market trends from 1990 through 2009, showing how the local economy fared through three periods of U.S. economic recession:

- The area's civilian labor force increased from 459 thousand in 1990 to 514 thousand in 2009, representing an average growth rate of 0.6 percent per

year. Employment grew at a slower rate (0.3 percent per year), causing unemployment to grow at a higher rate (3.9 percent per year). In 2009, the unemployment rate was 9.4 percent, the highest during the 1990-2009 period, and has increased to 9.9 percent through August for 2010 (**Table III-3**).

TABLE III-3
BIRMINGHAM-HOOVER MSA, ALABAMA AND THE UNITED STATES
CIVILIAN LABOR FORCE
1990 - 2009 and January - August 2010

Year	Birmingham-Hoover MSA			Unemployment Rate	Alabama Unemployment Rate	U.S. Total Unemployment Rate
	Labor Force					
	Total	Employed	Unemployed			
1990	459,147	436,009	23,138	5.0%	6.3%	5.6%
1991	460,963	434,926	26,037	5.6%	6.9%	6.8%
1992	467,571	439,957	27,614	5.9%	6.9%	7.5%
1993	473,934	448,545	25,389	5.4%	6.6%	6.9%
1994	484,683	464,965	19,718	4.1%	5.4%	6.1%
1995	498,106	479,087	19,019	3.8%	5.2%	5.6%
1996	505,276	489,768	15,508	3.1%	4.5%	5.4%
1997	518,805	501,805	17,000	3.3%	4.4%	4.9%
1998	525,858	510,949	14,909	2.8%	3.9%	4.5%
1999	531,305	515,324	15,981	3.0%	4.3%	4.2%
2000	533,010	514,714	18,296	3.4%	4.1%	4.0%
2001	532,014	511,586	20,428	3.8%	4.7%	4.7%
2002	525,360	501,364	23,996	4.6%	5.4%	5.8%
2003	522,615	498,163	24,452	4.7%	5.4%	6.0%
2004	524,631	501,658	22,973	4.4%	5.0%	5.5%
2005	527,688	509,277	18,411	3.5%	3.8%	5.1%
2006	537,848	520,536	17,312	3.2%	3.5%	4.6%
2007	536,669	519,712	16,957	3.2%	3.5%	4.6%
2008	528,330	504,007	24,323	4.6%	5.2%	5.8%
2009	513,686	465,551	48,135	9.4%	10.1%	9.3%
Jan-Aug 2009	518,897	471,774	47,124	9.1%	9.6%	8.9%
Jan-Aug 2010	502,858	453,170	49,688	9.9%	10.5%	9.7%
	Annual Growth Rate					
1990-2009	0.6%	0.3%	3.9%			
Jan-Aug 2010	-3.1%	-3.9%	5.4%			

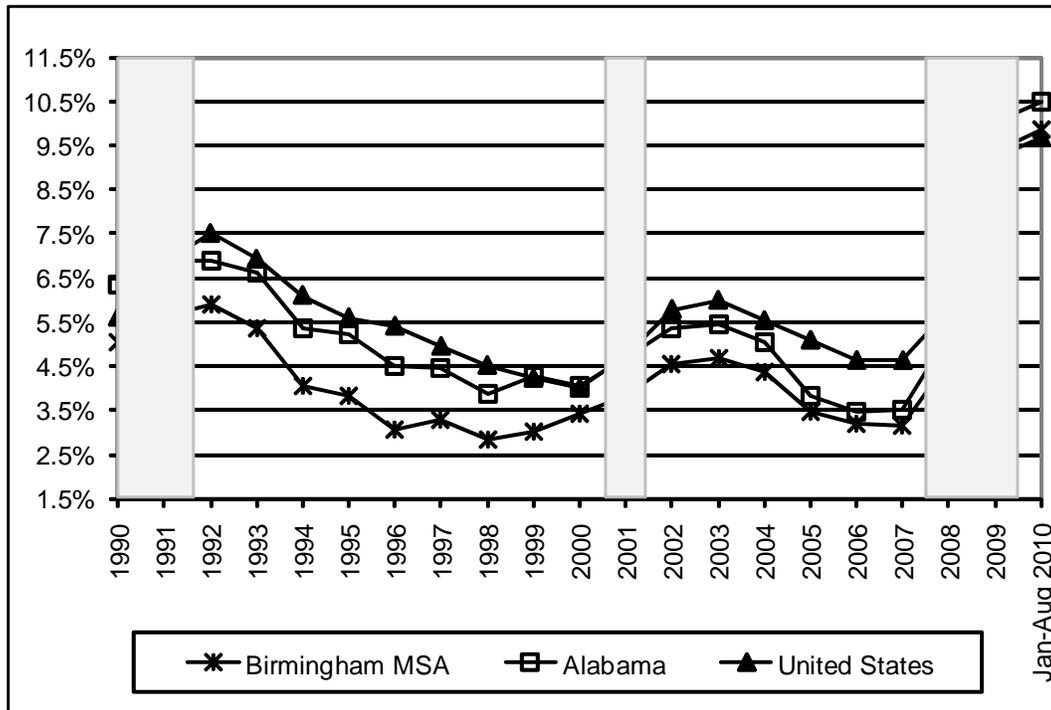
Periods of U.S. economic recession are highlighted: July 1990-March 1991, March-November 2011 and December 2007-June 2009.

Source: U.S. Bureau of Labor Statistics, Current Population Survey (CPS).

- The unemployment trends in the Birmingham-Hoover MSA have followed national business cycle trends, but the area has generally performed better than the entire state and the nation. As **Figure III-3** shows, the unemployment rate in the area remained consistently lower than the

state's from 1990 through August 2010. It was also lower than the national unemployment rate until 2009.

FIGURE III-3
UNEMPLOYMENT RATES IN THE BIRMINGHAM-HOOVER MSA
ALABAMA AND THE UNITED STATES
1990 - 2009 and January - August 2010



Periods of U.S. economic recession are highlighted: July 1990-March 1991, March-November 2001 and December 2007-June 2009.

Source: U.S. Bureau of Labor Statistics.

The Birmingham-Hoover MSA has a diversified economic base. As shown in **Table III-4**, the composition of non-agricultural employment in the MSA is very similar to that of the state of Alabama and the United States. The trade, transportation and utility group was the largest employer with a 22 percent share of total non-agricultural area in the Birmingham-Hoover MSA in 2009 – slightly larger than its 19 percent share nationwide. The government sector was the second largest employer with 17 percent of the total and posted the second highest growth rate from 2000 through 2009. The education and health sector provided 13 percent of the area employment and posted the highest growth rate.

Table III-5 lists the major employers in the Birmingham area. The list reflects the diversity of the employment base, including a diverse mixture of corporate and regional headquarters for companies in the health services, education,

insurance, and government sectors. The area is also supported by biotechnology research, distribution and automotive manufacturing.

**TABLE III-4
NON-AGRICULTURAL EMPLOYMENT BY SECTOR IN THE BIRMINGHAM-HOOVER MSA
ALABAMA AND THE UNITED STATES**

Employment by Sector	2009 Percent of Total			2000-2009 Average Annual Growth		
	Birmingham-Hoover MSA	Alabama	U.S.	Birmingham-Hoover MSA	Alabama	U.S.
Goods-Producing Subtotal	13.3%	18.6%	14.2%	-3.2%	-3.2%	-3.1%
Service-Providing Subtotal	86.7%	81.4%	85.8%	0.0%	0.6%	0.5%
Mining and Logging	0.6%	0.6%	0.5%	-1.1%	-1.8%	1.7%
Construction	5.4%	4.8%	4.6%	-2.1%	-1.6%	-1.3%
Manufacturing	7.4%	13.1%	9.1%	-4.1%	-3.8%	-4.1%
Trade, Transportation, and Utilities	21.7%	19.4%	19.1%	-0.7%	-0.6%	-0.6%
Wholesale Trade	5.9%	3.9%	4.3%	-0.6%	-1.4%	-0.6%
Retail Trade	11.7%	12.0%	11.1%	-0.7%	-0.4%	-0.6%
Information	2.0%	1.3%	2.1%	-4.0%	-3.4%	-2.8%
Financial Activities	7.7%	5.1%	5.9%	-0.8%	-0.4%	0.1%
Professional and Business Services	12.1%	10.9%	12.7%	-0.6%	1.1%	-0.1%
Education and Health Services	13.0%	11.2%	14.7%	1.6%	2.0%	2.7%
Leisure and Hospitality	8.6%	9.0%	10.0%	0.9%	1.5%	1.1%
Other Services	4.8%	4.2%	4.1%	-0.7%	-0.2%	0.4%
Government	16.8%	20.3%	17.2%	1.2%	1.0%	0.9%

Source: U.S. Bureau of Labor Statistics.

**TABLE III-5
BIRMINGHAM METROPOLITAN AREA
MAJOR EMPLOYERS 2009**

Company	Category Listing	Employees
University of Alabama at Birmingham	(Educational Services)	18,750
Regions Financial Corporation	(Financial Services)	6,000
AT&T	(Communications)	5,750
Birmingham Board of Education	(Educational Services)	5,000
City of Birmingham	(Government)	4,989
Jefferson County Board of Education	(Public Educational Services)	4,800
St. Vincent's Health System	(Healthcare & Management Services)	4,703
Honda Manufacturing of Alabama, LLC**	(Manufacturing-Heavy)	4,500
Baptist Health System, Inc.	(Healthcare & Management Services)	4,000
The New AT&T (Cingular Wireless)	(Communications)	4,000
Jefferson County Commission	(Government)	3,875
Children's Health System	(Healthcare & Management Services)	3,652
Shelby County Board of Education	(Educational Services)	3,625
Mercedes-Benz U.S. International, Inc.**	(Automobile Dealers & Related)	3,500
Southern Nuclear Operating Company	(Electric, Gas & Sanitary Services)	3,200
Alabama Power Company	(Electric, Gas & Sanitary Services)	3,000
Blue Cross-Blue Shield of Alabama	(Insurance)	3,000
BBVA Compass	(Financial Services)	2,804
United States Postal Service	(Mail Service)	2,800
Univ. of Alabama Health Services Foundation (Part of UA)	(Healthcare & Management Services)	2,800
Brookwood Medical Center	(Healthcare & Management Services)	2,600
Southern Company Generation	(Electric, Gas & Sanitary Services)	2,500
American Cast Iron Pipe Company	(Metal Fabricating)	2,400
U.S. Steel-Fairfield Works	(Manufacturing-Heavy)	2,400
Hoover City Schools	(Educational Services)	2,000
Marshall Durbin Food Corporation	(Manufacturing-Food & Beverage)	2,000
Trinity Medical Center	(Healthcare & Management Services)	1,879
EBSCO Industries, Inc.	(Publishing)	1,800
Social Security Administration	(Government)	1,800

Source: Birmingham Business Alliance

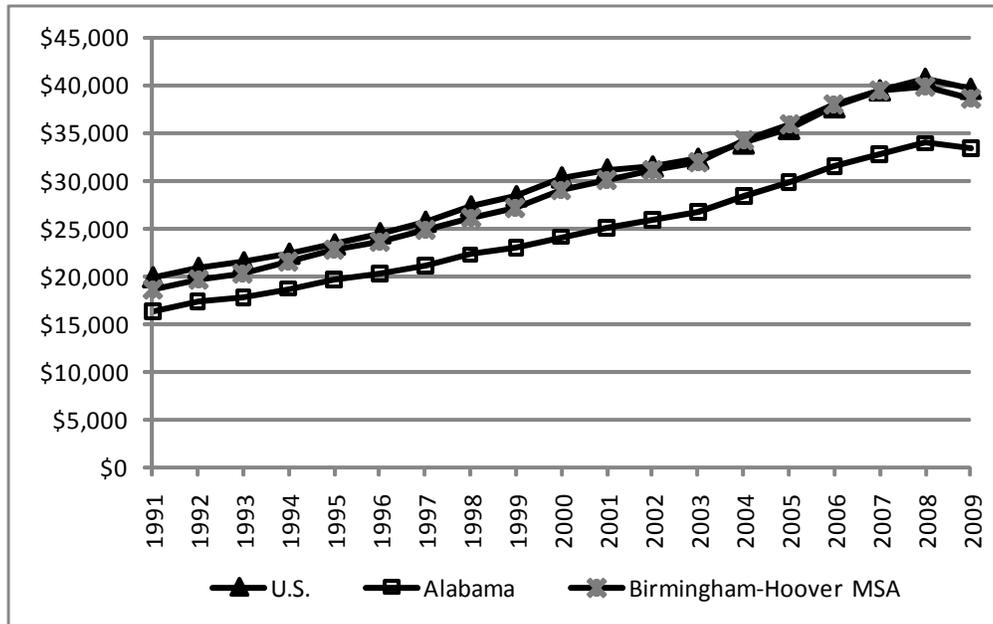
** Located outside of the Birmingham-Hoover MSA.

D. INCOME

Income level and growth have shown to be an essential indicator of an area's ability to support growth in air travel demand. From 1991 to 2009, per capita personal income levels and growth trends in the Birmingham-Hoover MSA tracked U.S. trends closely (**Figure III-4**). In terms of annual personal income

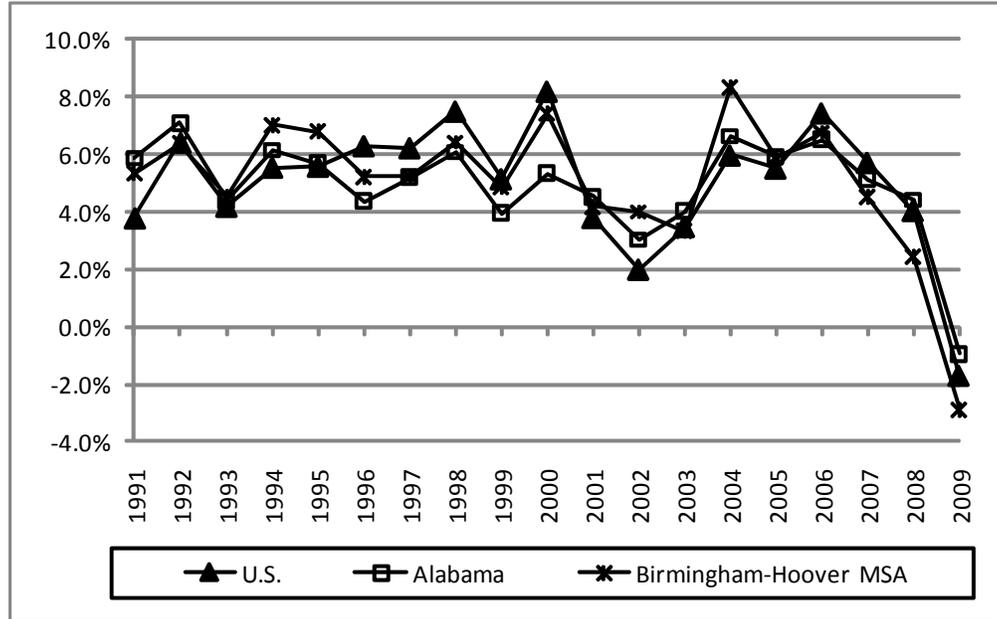
growth, **Figure III-5** shows that both the MSA and the state have generally moved in conjunction to the national pace of development.

FIGURE III-4
BIRMINGHAM-HOOVER MSA, ALABAMA AND THE UNITED STATES
PERSONAL INCOME PER CAPITA (In Current U.S. Dollars)
1991 - 2009



Source: U.S. Bureau of Economic Analysis.

FIGURE III-5
BIRMINGHAM-HOOVER MSA, ALABAMA AND THE UNITED STATES
ANNUAL PERCENT CHANGE IN PERSONAL INCOME
1991 - 2009



Source: U.S. Bureau of Economic Analysis.

E. LEISURE AND HOSPITALITY INDUSTRY

As shown previously in **Table III-4**, the share of the Leisure and Hospitality sector of total non-agricultural employment in the Birmingham-Hoover MSA (8.6 percent) is smaller than the sector's share of the total for Alabama (9.0 percent) and the United States (10.0 percent). The Birmingham area provides a number of tourist and convention attractions, including those listed on **Table III-6**. In addition, visitors are attracted to the area by various outdoor activities such as golf, college sports, auto racing, hunting, fishing, greyhound and horse racing.

TABLE III-6
BIRMINGHAM AREA ATTRACTIONS

Civil Rights Institute
Five Points South Entertainment District
Heart of Dixie Railroad Museum
Historic Cahaba Pumping Station Museum
Homestead Hollow Arts and Crafts Festival
Hoover RV Park
International Motorsports Hall of Fame
Jazz Hall of Fame
McWane Science Center
Mercedes-Benz US International, Inc. Visitor Center
Meyer Planetarium
Moss Rock Preserve
Oak Mountain State Park
Peanut Depot Tours and Sampling
Pepper Place Shopping
Pioneer Homes
Railroad Park
Red Mountain Theatre Company
Reed Books, The Museum of Fond Memories
Regions Park
Reynolds Historical Library
Rickwood Caverns State Park
Riverchase Galleria Shopping
Robert Trent Jones Golf Trail
Rucker Place Historic Home
Ruffner Mountain Nature Center
Samuel Ullman Museum
Sixteenth Street Baptist Church
Sloss Furnaces National Historic Landmark
Southern Environmental Center
Southern Museum of Flight/Ala. Aviation Hall of Fame
Talladega Superspeedway
Tannehill Ironworks Historical State Park
Temple of Sibyl
The Summit Shopping
The Water Course
Vulcan Park and Museum

Source: Greater Birmingham Convention & Visitors Bureau.

F. COST OF LIVING

The Birmingham-Hoover MSA cost of living compares favorably to other areas within the region, as shown in **Table III-7**. According to the American Chamber of Commerce Researchers Association (ACCRA) Cost of Living Index for 2009, all participating metro areas in the region have a cost of living lower than the U.S.

average. This will allow for continued ability to attract business, tourists and immigration.

The ACCRA Cost of Living Index measures relative price levels for consumer goods and services in participating areas. The average for all participating places, metropolitan and nonmetropolitan areas in the United States, equals 100, and each participant's index is read as a percentage of the average for all places.

TABLE III-7
ACCRA COST OF LIVING INDEX
2009 Annual Average

State	Metro/Micro Statistical Area	Composite Index	Grocery Items	Housing	Utilities	Transportation	Health Care	Misc. Goods & Services
Alabama	Birmingham-Hoover AL Metro	91.9	102.3	73.3	106.9	95.2	98.3	97.8
Alabama	Huntsville AL Metro	92.3	94.5	79.0	85.8	99.2	91.6	103.1
Alabama	Montgomery AL Metro	97.6	103.7	90.6	110.3	97.2	90.4	98.5
Alabama	Tuscaloosa AL Metro	94.2	97.0	80.8	101.0	100.2	98.0	100.4
Arkansas	Little Rock-North Little Rock AR Metro	94.6	94.2	83.5	104.7	96.3	97.7	100.5
Georgia	Atlanta-Sandy Springs-Marietta GA Metro	94.2	100.6	88.6	82.5	97.7	103.7	97.8
Mississippi	Jackson MS Metro	96.1	92.2	88.9	119.6	92.9	101.7	97.2
Mississippi	Tupelo MS Micro	87.1	89.5	70.5	103.5	96.3	86.8	92.6
Tennessee	Chattanooga TN-GA Metro	89.1	95.8	81.9	80.0	97.4	93.1	92.1
Tennessee	Memphis TN-MS-AR Metro	87.9	90.2	77.2	85.8	93.9	98.9	93.6
Tennessee	Nashville-Davidson-Murfreesboro TN Metro	88.5	91.8	72.4	89.2	88.9	90.0	101.1

Source: Council for Community and Economic Research.

G. EDUCATION

The Jefferson County public school system enrolled approximately 36,246 students in 58 schools in the 2008-2009 academic year. The area is the home of five four-year colleges and universities and a number of junior colleges and trade schools. These schools have a combined enrollment of approximately 44,000 (see **Table III-8** for a partial listing).

The largest institution is the University of Alabama at Birmingham (UAB), which includes University College, the Graduate School and the UAB Medical Center. The UAB complex, featuring a wide range of undergraduate, graduate and professional programs, is the third largest educational institution in Alabama, with a total enrollment of approximately 17,000. The UAB Medical Center hosts the schools of medicine, dentistry, nursing, optometry and public health and the School of Community and Allied Health. UAB has an annual payroll exceeding \$1.15 billion and is the largest employer in the County.

In 2009, the educational attainment of the population of the Birmingham – Hoover MSA was similar to that of the United States as a whole (**Table III-9**).

**TABLE III-8
Institutions of Higher Education
Jefferson County**

<u>Name</u>	<u>Type</u>	<u>Enrollment</u>
Four-Year		
University of Alabama at Birmingham	State Supported	16,874
Samford University	Private	4,469
Miles College	Private	1,786
Birmingham-Southern College	Private	1,458
Virginia College	Private	5,264
Junior Colleges and Trade Schools		
Jefferson State Community College	State Supported	8,298
Lawson State Community College	State Supported	3,609
ITT Technical Institute	Private	990
Herzing College of Business & Technolo	Private	293

Source: Education-Portal.com

**TABLE III-9
EDUCATIONAL ATTAINMENT - POPULATION 25 YEARS AND OLDER**

Geography	Percent of Population	
	High School Graduate and Higher	Bachelor Degree and Higher
Birmingham - Hoover MSA	85.7%	27.3%
State of Alabama	82.1%	22.0%
United States	85.3%	27.9%

Source: U.S. Census Bureau 2009 American Community Survey

H. HOUSING AND CONSTRUCTION

The City has aggressively promoted renovation and construction of its housing supply through a number of programs intended to stimulate housing. **Table III-10** provides comparative information on housing units in the Birmingham-Hoover MSA, Jefferson County, Shelby County, the state and the U.S. for 2000- 2009.

Recent residential construction activities in the City and the Birmingham-Hoover MSA, respectively, are summarized in **Tables III-11 and 12**.

BIRMINGHAM AIRPORT AUTHORITY
Financial Feasibility Report

TABLE III-10
Birmingham-Hoover MSA Housing Units

Geography	Housing Units										AAGR*
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2000-2009
Birmingham-Hoover MSA	454,338	462,586	467,702	472,629	479,001	486,066	493,193	500,037	504,642	507,293	1.2%
Jefferson County	288,162	291,552	293,433	295,551	298,638	302,010	305,029	308,579	310,703	312,111	0.9%
Shelby County	59,302	62,058	64,233	66,394	68,806	71,698	74,605	77,063	79,081	79,980	3.4%
Alabama (000)	1,970	1,999	2,019	2,038	2,063	2,088	2,117	2,145	2,167	2,182	1.1%
United States (000)	116,301	117,905	119,456	121,077	122,825	124,711	126,500	128,132	129,313	129,970	1.2%

Source: U.S. Census Bureau.
* Average Annual Growth Rate

TABLE III-11
New Privately-Owned Residential Building Permits
City of Birmingham

Year	Single-Family		Multi-Family		
	Permits Issued and Units	Construction Cost (000s)	Permits Issued	Units	Construction Cost (000s)
2000	118	\$14,605	13	328	\$14,655
2001	108	\$13,834	2	24	\$1,113
2002	188	\$25,489	12	76	\$4,276
2003	152	\$23,868	7	238	\$18,180
2004	144	\$23,581	55	832	\$57,691
2005	220	\$39,153	22	445	\$34,579
2006	303	\$54,557	56	980	\$71,539
2007	232	\$44,084	11	234	\$18,884
2008	132	\$24,724	18	312	\$23,205
2009	75	\$13,541	21	62	\$6,108

Source: U.S. Census Bureau.

TABLE III-12
New Privately-Owned Residential Building Permits
Birmingham-Hoover MSA

<u>Year</u>	Single-Family		Multi-Family	
	Permits Issued and Units	Construction Cost (000s)	Units	Construction Cost (000s)
2000	4,352	\$569,298	781	\$42,454
2001	4,652	\$627,149	430	\$15,987
2002	4,918	\$716,830	259	\$14,218
2003	5,970	\$912,511	703	\$43,501
2004	6,338	1025878	1393	\$89,483
2005	6,873	\$1,148,340	795	\$54,965
2006	6,437	\$1,072,600	1370	\$118,267
2007	4,930	\$865,318	503	\$39,964
2008	2,325	\$415,270	1034	\$110,242
2009	1,683	\$282,759	124	\$10,473

Source: U.S. Census Bureau.

I. OUTLOOK

The recent U.S. economic recession, which began in December 2007,⁵ exceeded previous economic declines going back to the 1940s and resulted in a severe downturn in the Alabama economy. With the official end of the recession in June 2009,⁶ economic growth has resumed but to date has been below expectations based on experience from previous recoveries. Data from the U.S. Bureau of Economic Analysis, however, indicate sustained real GDP growth through second quarter 2010, reducing the likelihood of the economy falling back to recession in the near future. The economic trends so far are consistent with a slow recovery that is now expected to pick up pace in 2012 (See **Section IV** for details and supporting data).

Birmingham's economy is lagging the national recovery. With financial services, manufacturing and professional/business services stabilizing, weakness in the retail sector (particularly automotive) and on-going uncertainty in the healthcare sector will continue to be a drag in the area's recovery. For the Birmingham-Hoover MSA in the short term, continuing budget difficulties among the various public entities in the area could slow recovery progress. On the positive side,

⁵ National Bureau of Economic Research (NBER) Business Cycle Dating Committee, *Determination of the December 2007 Peak in Economic Activity*, December 11, 2008.

⁶ National Bureau of Economic Research (NBER) Business Cycle Dating Committee Report, September 20, 2010.

given funding, ongoing efforts to revitalize the Birmingham downtown area would provide a boost to area activity. In the medium term, the local economy will experience a strong recovery as national growth drives investment and production of local goods and services. Longer term, the diverse economy, low costs and concentration of healthcare, financial and business services will allow the area to outperform the national average.⁷

J. SUMMARY

The review of the demographic and economic attributes of the Birmingham area suggests that it will continue to support airport traffic growth consistent with historical experience:

- **Large and growing population** – The Birmingham-Hoover MSA population ranks first in the state by MSA. Population growth of the area has been consistent with the U.S. average, and the outlook is for continued growth due in part to the attractive low cost of living.
- **Better employment conditions** – While the unemployment trends in the Birmingham area have followed economic cycle trends, the unemployment rate in the Birmingham-Hoover MSA had been consistently lower than the state and national unemployment rates until just recently.
- **Diversified employment base** – The state of Alabama has been aggressively working to attract companies to the area. The Birmingham area has a diverse mix of industries from healthcare and biotechnology to manufacturing, financial services and education. The employment mix in the Birmingham-Hoover MSA is consistent with that of the United States, with trade, transportation and utility services as the largest employment sector.
- **Income growth** – Income growth trends in the Birmingham-Hoover MSA have been consistent with the U.S. and have outperformed the state in total.
- **Hospitality and Leisure** – Employment in the Leisure and Hospitality sector lags behind that of the state and nation. While the area does have numerous recreational opportunities that draw visitors, the local economy's stronger reliance on a diverse business base provides for a less cyclical market.
- **Education and Housing** – The area's educational levels and housing development have been above state levels and generally similar to national rates.

⁷ Moody's Analytics, *Precis Metro for the Birmingham-Hoover, AL MSA*, July 2010.

While the local economy is not immune from the effects of economic cycles, the diversity and stability of its employment base positions the local economy to recover from economic downturns relatively quickly and perform at least as well as the national economy over the long-run. The U.S. economy continues to recover slowly and unevenly from the recent recession, which began in December 2007 and ended in June 2009. The Birmingham-Hoover MSA economy is expected to recover with the U.S. economy, at a sluggish pace initially with growth accelerating in 2012.

SECTION IV AVIATION ACTIVITY ANALYSIS AND FORECASTS

This section reviews the historical trends in passenger traffic and aircraft operations at the Airport and presents forecasts of enplanements and related commercial aircraft departures and landed weight. The section also discusses the factors underlying both historical and forecast trends, including relevant recent industry-wide developments.

A. HISTORICAL AVIATION ACTIVITY

Table IV-1 lists the passenger airlines that provided scheduled service at the Airport as of September 2010. The list shows affiliations between the three mainline and 11 regional/commuter airlines that provide scheduled passenger service at the Airport. Over the past several years the airline industry has gone through operational changes including an increase in code sharing and route transfers that have resulted in regional/commuter carriers, as a group, increasing market share at the Airport.

Federal Express, Mountain Air, and United Parcel Service provide all-cargo service at the Airport.

**TABLE IV-1
 BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
 SCHEDULED PASSENGER CARRIERS
 As of September 2010**

Mainline	Regional/Commuter
American Delta Southwest	American Eagle Atlantic Southeast (Delta Connection) Chautauqua (Delta Connection) Comair (Delta Connection) Pinnacle (Delta Connection) Expressjet (Continental Express and United Express) Mesa (United Express) Mesaba (Delta Connection) SkyWest (United Express) Air Wisconsin (U.S. Airways Express) PSA (U.S. Airways Express)

Source: Airport records.

A review of trends in different aspects of aviation activity at the Airport follows.

1. Overall Enplanement Trends

Over the past 10 years, U.S. airports and airlines faced major challenges including: (1) the economic recession in 2001, which was brief but was followed by a very slow

recovery; (2) the terrorist attacks of September 11, 2001 and the precipitous decline in air travel that followed; (3) the financial crisis in the airline industry that led to dramatic structural changes including industry exits, airline mergers, mainline-to-regional route transfers, significant capacity cuts, and other extreme cost-cutting measures, all with adverse effects on airports; (4) international issues such as the severe acute respiratory syndrome (SARS) epidemic in late 2002 and early 2003, the H1N1 virus outbreak, and the Iraq and Afghanistan wars; and (5) the recent, severe and long lasting U.S. economic recession that, according to the National Bureau of Economic Research, began in December 2007 and ended in June 2009. Historical enplanement data in **Table IV-2** and **Figure IV-1** show that through FY 2010, BHM has been affected by these issues more than most U.S. airports. The following are the highlights of enplanement trends at the Airport over the past decade:

- Total enplanements at the Airport decreased from approximately 1.57 million in FY 2001 to 1.45 million in FY 2010 at an average annual rate of -0.9 percent. Enplanements for the entire United States increased at an average rate of 1.2 percent per year during the same time period. Consequently BHM's share of U.S. total system revenue enplanements decreased from 0.23 percent in FY 2001 to 0.19 percent in FY 2010.
- Annual percentage changes in enplanements in **Figure IV-1** show BHM underperforming the U.S. system as a whole during seven out of the past nine years.
- In **Figure IV-2**, BHM and U.S. enplanements between FY 2001 and 2010 are indexed to FY 2001. The chart shows that the enplanement growth pattern at BHM is similar to the industry but the Airport's gains have been flatter and its losses steeper.
- **Table IV-3** presents year-over-year percentage changes in quarterly enplanements at the Airport from the first quarter of FY 2006 through the first quarter of FY 2011. The Airport experienced losses in enplanements during three consecutive quarters from fourth quarter of FY 2006 through second quarter of FY 2007, five consecutive quarters from first quarter of FY 2009 through the first quarter of FY 2010, and the last two quarters of FY 2010. The enplanement losses from FY 2006 to FY 2007 were due, in part, to capacity adjustments by Southwest and Delta, the top two airlines at BHM by enplanement share. The enplanement losses in FY 2009 and FY 2010 were due largely to the weak air travel demand during the recent U.S. economic recession. The largest losses were incurred during FY 2009 as the U.S. economy slid into deep recession. Economic recovery began at a sluggish pace in first quarter FY 2010, accelerated in the second quarter, and then slowed in the third and fourth quarter. These trends are mirrored at the Airport by the smaller year-over-year percentage loss in enplanements during the first quarter of FY 2010 (-4.5 percent) relative to the losses during the preceding four quarters, a modest gain during the second quarter (+2.7 percent), and small losses during the third

quarter (-2.2 percent) and the fourth quarter (-2.4 percent). Enplanements in the first quarter of FY 2011 were 3.8 percent higher than in the first quarter of FY 2010.

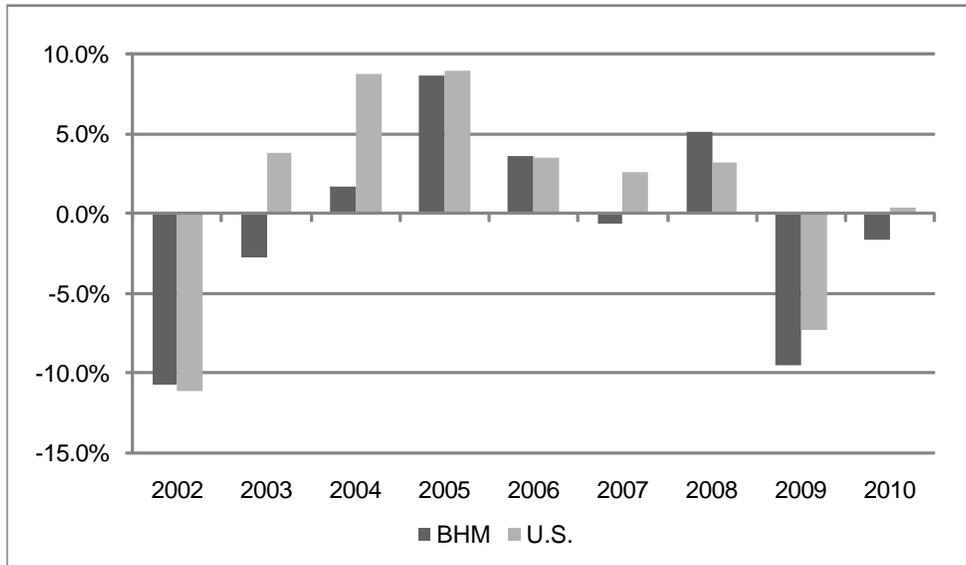
TABLE IV-2
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
FY 2001 - 2010

Fiscal Year	BHM Enplanements ¹	U.S. Enplanements ²	BHM's Market Share
2001	1,574,767	697,964,684	0.23%
2002	1,405,688	620,053,981	0.23%
2003	1,366,538	643,530,869	0.21%
2004	1,389,621	699,768,746	0.20%
2005	1,510,170	762,213,023	0.20%
2006	1,564,638	789,116,132	0.20%
2007	1,554,213	809,889,159	0.19%
2008	1,634,409	835,998,063	0.20%
2009	1,479,387	775,014,756	0.19%
2010	1,454,650	778,378,546	0.19%
	Average Annual Growth Rate		
2001-2010	-0.9%	1.2%	

¹ Source: Airport management records.

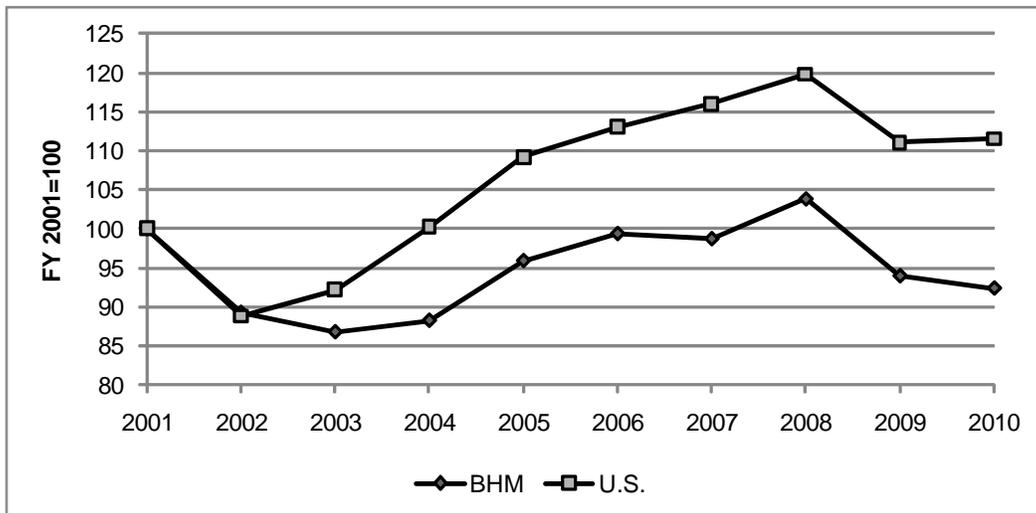
² Source: Bureau of Transportation Statistics, U.S. system revenue passenger enplanements.

FIGURE IV-1
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
ANNUAL PERCENTAGE CHANGES IN BHM AND U.S. SYSTEM ENPLANEMENTS
FY 2002 - 2010



Source: Airport management records and Bureau of Transportation Statistics, U.S. system revenue passenger enplanements.

FIGURE IV-2
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
ANNUAL CHANGES RATES IN BHM AND U.S. SYSTEM ENPLANEMENTS
FY 2001 - 2010 (Indexed to FY 2001)



Source: Airport management records and Bureau of Transportation Statistics, U.S. system revenue passenger enplanements.

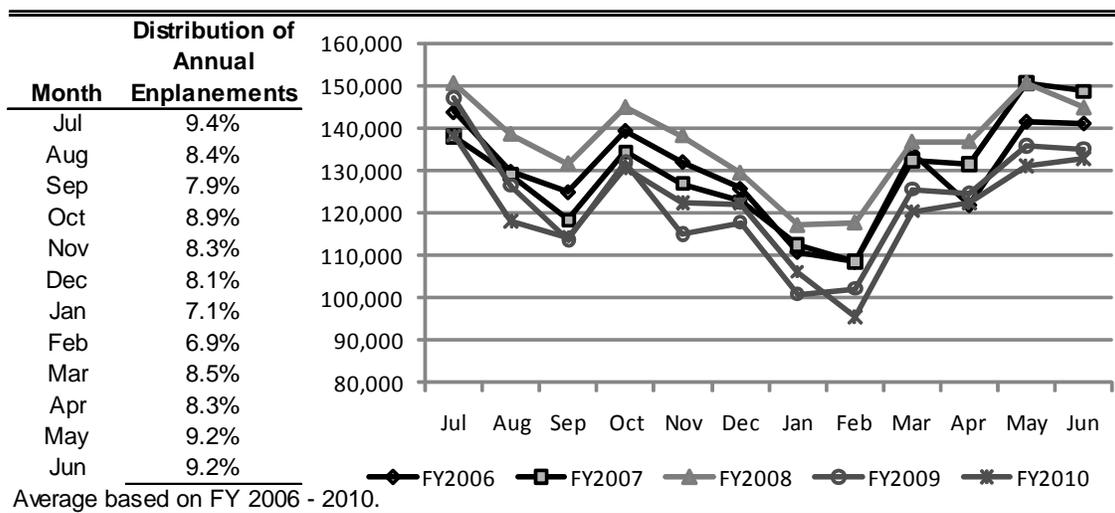
TABLE IV-3
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
QUARTERLY ENPLANEMENTS
FY 2006 - First Quarter of FY 2011

Quarter/Annual	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
1st Quarter	401,295	385,666	420,104	388,335	370,704	384,789
2nd Quarter	400,007	384,047	411,914	365,457	375,348	N/A
3rd Quarter	355,827	353,577	370,835	329,455	322,138	N/A
4th Quarter	407,509	430,923	431,556	396,140	386,460	N/A
Annual	1,564,638	1,554,213	1,634,409	1,479,387	1,454,650	N/A
Year-Over-Year Change						
1st Quarter	8.2%	-3.9%	8.9%	-7.6%	-4.5%	3.8%
2nd Quarter	6.1%	-4.0%	7.3%	-11.3%	2.7%	N/A
3rd Quarter	2.1%	-0.6%	4.9%	-11.2%	-2.2%	N/A
4th Quarter	-1.6%	5.7%	0.1%	-8.2%	-2.4%	N/A
Annual	3.6%	-0.7%	5.2%	-9.5%	-1.7%	N/A

Source: Airport management records.

Passenger traffic at the Airport exhibits a seasonal pattern, as demonstrated in **Table IV-4**. Enplanement levels are typically highest in July at 9.4 percent of the annual total, on average, and lowest in February at 6.9 percent of the annual total, on average, based on data from FY 2006 through FY 2010.

TABLE IV-4
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
VARIATION IN MONTHLY ENPLANEMENTS
FY 2006 - FY 2010



Source: Airport management records.

2. Airline Market Shares

BHM has a broad base of air service providers, but Southwest Airlines (Southwest) has been the largest carrier by enplanement share for the past several years. **Table IV-5** shows Airport enplanements by airline from FY 2006 through FY 2010 and first quarter FY 2011; enplanement share by airline for FY 2006, FY 2010 and first quarter FY 2011; and average annual enplanement growth rate by airline for FY 2006-2010 and first quarter FY 2011. The following trends are noteworthy:

- Southwest holds the largest share of annual total enplanements at the Airport, which increased from 35.5 percent in FY 2006 to 45.2 percent in FY 2010. Data for the first quarter of FY 2011 show a small decline in Southwest's share to 44.3 percent. On September 27, 2010, Southwest announced that it had entered into a definitive agreement to acquire all of the outstanding common stock of AirTran Holdings, Inc., the parent company of AirTran Airways (AirTran).⁸ The implications of this announcement on air traffic at BHM are unknown as of the date of this Report. Currently, AirTran does not operate at BHM. One of the air traffic forecast scenarios presented later in this section contemplates a potential impact on air traffic at BHM that could result from the proposed merger of the two airlines.
- Delta Air Lines (Delta), together with regional affiliates, holds the second largest share of annual total enplanements, which decreased from 28.1 percent in FY 2006 to 20.7 percent in FY 2010. Delta acquired Northwest Airlines (Northwest) in 2008, which, together with regional affiliates, accounted for 7.7 percent of BHM enplanements in FY 2006 and 6.0 percent in FY 2010. The integrated operations of Delta, Northwest and regional affiliates accounted for 26.7 percent of total FY 2010 BHM enplanements, and 27.5 percent of total BHM enplanements during the first three months of FY 2011.
- US Airways accounted for the third largest share of total enplanements in FY 2010. US Airways' market share increased from 8.4 percent in FY 2006 to 9.2 percent in FY 2010. In the first quarter of FY 2011, US Airways enplanements accounted for 9.5 percent of total enplanements.

⁸ Southwest Airlines, "Southwest Airlines to Acquire AirTran; Spreading Low Fares Farther," *News Releases*, September 27, 2010.

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TABLE IV-5
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
AIRLINE ENPLANEMENTS AND MARKET SHARE
FY 2006 - 2010 and 1st Qtr. FY 2011

Airline	Enplanements						Market Share						Avg. Annual Growth Rate	
	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	1st Qtr. FY 2011	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	1st Qtr. FY 2011	FY 2006-10	1st Qtr. FY 2011
American - Mainline	115,649	129,955	136,622	112,928	104,751	24,601	7.4%	8.4%	8.4%	7.6%	7.2%	6.4%	-2.4%	-7.4%
American Eagle	-	5,586	22,941	2,871	5,948	5,565	0.0%	0.4%	1.4%	0.2%	0.4%	1.4%	n.m.	n.m.
Total - American	115,649	135,541	159,563	115,799	110,699	30,166	7.4%	8.7%	9.8%	7.8%	7.6%	7.8%	-1.1%	13.5%
Continental - Mainline ¹	125,773	129,038	127,168	113,399	90,159	22,859	8.0%	8.3%	7.8%	7.7%	6.2%	5.9%	-8.0%	-0.5%
Continental Express	-	4,455	22,206	-	-	-	0.0%	0.3%	1.4%	0.0%	0.0%	0.0%	n.m.	n.m.
Total - Continental	125,773	133,493	149,374	113,399	90,159	22,859	8.0%	8.6%	9.1%	7.7%	6.2%	5.9%	-8.0%	-0.5%
Delta - Mainline	249,351	245,094	208,800	158,110	61,647	21,990	15.9%	15.8%	12.8%	10.7%	4.2%	5.7%	-29.5%	41.0%
Delta Connection	190,264	144,911	149,831	146,078	239,055	61,869	12.2%	9.3%	9.2%	9.9%	16.4%	16.1%	5.9%	-9.5%
Total - Delta	439,615	390,005	358,631	304,188	300,702	83,859	28.1%	25.1%	21.9%	20.6%	20.7%	21.8%	-9.1%	-0.1%
Northwest - Mainline	53,881	60,506	37,992	16,541	53	-	3.4%	3.9%	2.3%	1.1%	0.0%	0.0%	-82.3%	-100.0%
Northwest Airlink	66,692	47,984	60,546	93,068	87,118	21,816	4.3%	3.1%	3.7%	6.3%	6.0%	5.7%	6.9%	8.5%
Total - Northwest ²	120,573	108,490	98,538	109,609	87,171	21,816	7.7%	7.0%	6.0%	7.4%	6.0%	5.7%	-7.8%	8.2%
Southwest	556,226	542,860	616,971	623,113	657,778	170,414	35.5%	34.9%	37.7%	42.1%	45.2%	44.3%	4.3%	5.4%
United - Mainline	-	-	-	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	n.m.	n.m.
United Express	76,022	87,896	113,851	86,385	74,566	19,303	4.9%	5.7%	7.0%	5.8%	5.1%	5.0%	-0.5%	-12.2%
Total - United	76,022	87,896	113,851	86,385	74,566	19,303	4.9%	5.7%	7.0%	5.8%	5.1%	5.0%	-0.5%	-12.2%
US Airways - Mainline	10,873	156	-	489	-	-	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	-100.0%	n.m.
US Airways Express	119,907	155,772	137,481	126,405	133,575	36,372	7.7%	10.0%	8.4%	8.5%	9.2%	9.5%	2.7%	9.0%
Total - US Airways	130,780	155,928	137,481	126,894	133,575	36,372	8.4%	10.0%	8.4%	8.6%	9.2%	9.5%	0.5%	9.0%
Subtotal - Mainline	1,111,753	1,107,609	1,127,553	1,024,580	914,388	239,864	71.1%	71.3%	69.0%	69.3%	62.9%	62.3%	-4.8%	5.7%
Subtotal - Regional/Commuter	452,885	446,604	506,856	454,807	540,262	144,925	28.9%	28.7%	31.0%	30.7%	37.1%	37.7%	4.5%	0.8%
TOTAL - ALL AIRLINES	1,564,638	1,554,213	1,634,409	1,479,387	1,454,650	384,789	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	-1.8%	3.8%
Annual Growth Rate	2.9%	-0.7%	5.2%	-9.5%	-1.7%	3.8%								

Source: Airport management records.

n.m. - not meaningful

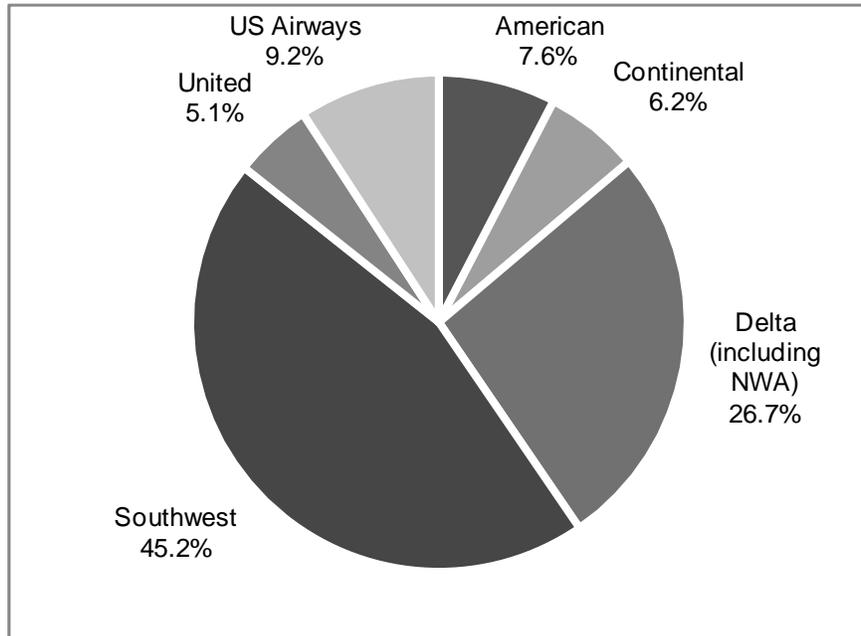
¹ Most of the reported enplanements for Continental in FY 2009 and all of the FY 2010 and 1st Qtr. FY 2011 enplanements were actually carried by ExpressJet.

² Delta completed its merger with Northwest in 2008 and completed the consolidation of gates and ticket counters at airports where both airlines operated in 2009.

- With Southwest as the largest passenger service provider at BHM, most of the passenger traffic at BHM is carried on mainline service. However, the December 2007-June 2009 economic recession ushered in another round of significant capacity adjustments resulting in an increase in the use of regional/commuter carriers at BHM. Mainline enplanements decreased in number by -4.8 percent per year, on average, between FY 2006 and FY 2010, and decreased in share from 71.1 percent to 62.9 of Airport total. In contrast, regional enplanements increased in number by 4.5 percent per year, on average, between FY 2006 and FY 2010, and increased in share from 28.9 percent to 37.1 percent of Airport total. Data during the first quarter of FY 2011 show a slight decrease in mainline share of Airport total enplanements to 62.3 percent and a corresponding increase in regional share to 37.7 percent.

The three mainline and 11 regional/commuter carriers that provide service at the Airport represent six published carrier brands. **Figure IV-3** shows enplanement share by published carrier brand in FY 2010.

FIGURE IV-3
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
ENPLANEMENT SHARE BY PUBLISHED CARRIER BRAND
Fiscal Year 2010



Source: Airport management records.

3. Air Service Trends

BHM serves mainly domestic O&D passenger traffic. **Table IV-6** shows the trends in scheduled passenger air service at BHM in FY 2006, 2008, and 2010 in terms of number of nonstop destinations, average daily departures and average daily seats for the entire Airport, by Southwest, and by the integrated operations of Delta, Northwest and regional affiliates:

- **Airport Total** - By all measures, air service from the Airport increased between FY 2006 and FY 2008 and decreased between FY 2008 and FY 2010. Between FY 2006 and 2010, the total number of nonstop airport destinations remained flat, scheduled departures decreased, and scheduled seats increased.
- **Southwest** - The total number of nonstop airport destinations served by Southwest from BHM increased steadily. Scheduled departures and seats increased between FY 2006 and FY 2008, and decreased between FY 2008 and FY 2010. Overall Southwest increased capacity at BHM in number of departures and seats between FY 2006 and FY 2010.
- **Delta, Northwest and regional affiliates** – While the total number of nonstop destinations served by Delta, Northwest and regional affiliates remained the same between FY 2006 and 2010, the combined capacity of these airlines at BHM, measured by scheduled departures and seats, decreased.

Table IV-7 lists the top 20 O&D destinations from BHM in FY 2010. Of these, 16 were served with at least one nonstop flight per day, on average, from BHM. Collectively, service to the top 20 destinations accounted for 62.1 percent of enplanements at BHM in FY 2010. The top five destinations, in terms of O&D market share, were Dallas/Ft. Worth, Baltimore, Chicago, Orlando and New York.

TABLE IV-6
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
SCHEDULED PASSENGER AIR SERVICE TRENDS
FY 2006, 2008 and 2010

Air Service Measure	FY 2006	FY 2008	FY 2010
Airport Total			
Number of non-stop airport destinations	28	29	28
Average daily departures ¹	69	77	66
Average daily seats ¹	6,367	7,176	6,511
Southwest			
Number of non-stop airport destinations	12	13	14
Average daily departures ¹	20	25	23
Average daily seats ¹	2,673	3,364	3,105
Delta, Northwest and regional affiliates			
Number of non-stop airport destinations	10	7	10
Average daily departures ¹	27	22	22
Average daily seats ¹	2,085	1,713	1,333

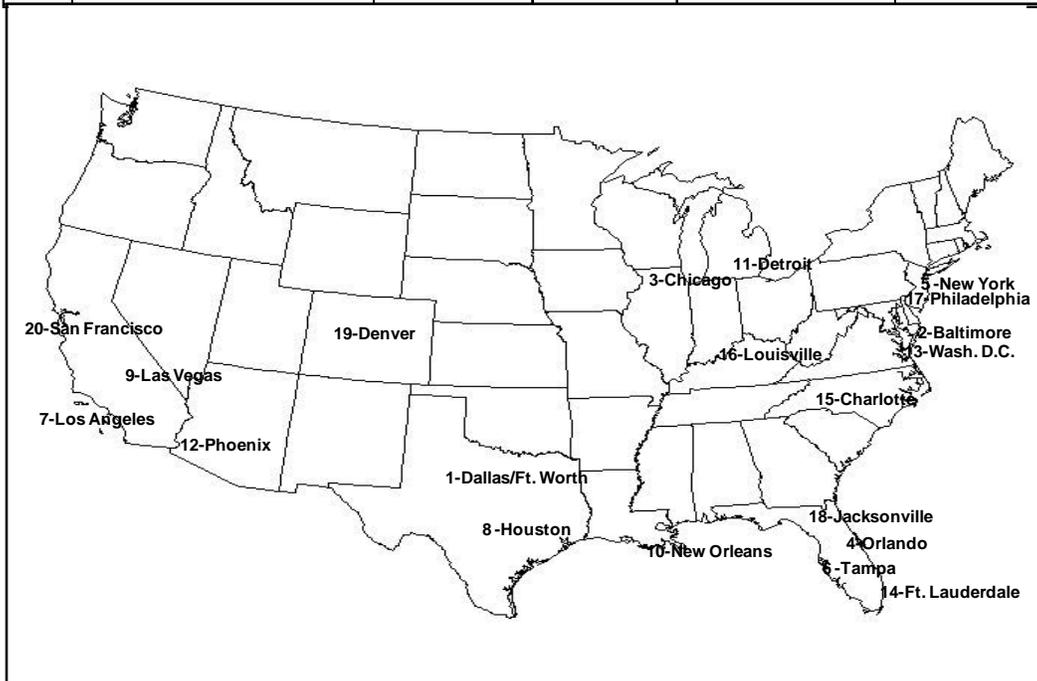
¹ Annual total divided by 365 days.

Source: OAG schedules database.

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TABLE IV-7
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
TOP 20 O&D DESTINATIONS
Fiscal Year 2010

Rank ¹	City	Airports	O&D Market Share ²	Avg. Daily Nonstop Departures ³	Air Miles from Birmingham ⁴
1	Dallas/Ft. Worth	DAL, DFW	6.8%	5.8	592
2	Baltimore, MD	BWI	5.4%	2.8	682
3	Chicago, IL Metro	MDW, ORD	5.1%	4.8	577
4	Orlando, FL	MCO	5.0%	2.0	478
5	New York, NY Metro	LGA, EWR	4.0%	2.0	858
6	Tampa, FL	TPA	3.8%	1.9	460
7	Los Angeles, CA Metro	LAX, SNA, ONT	3.6%	0.0	1,790
8	Houston, TX	HOU, IAH	3.4%	8.0	570
9	Las Vegas, NV	LAS	3.3%	1.0	1,618
10	New Orleans, LA	MSY	2.7%	1.8	321
11	Detroit, MI	DTW	2.2%	2.9	625
12	Phoenix, AZ	PHX	2.1%	1.0	1,454
13	Washington, DC Metro	DCA, IAD	2.0%	0.2	646
14	Ft. Lauderdale, FL	FLL	2.0%	0.0	650
15	Charlotte, NC	CLT	2.0%	6.4	351
16	Louisville, KY	SDF	1.9%	1.8	323
17	Philadelphia, PA	PHL	1.8%	1.0	772
18	Jacksonville, FL	JAX	1.7%	1.0	365
19	Denver, CO	DEN	1.7%	1.4	1,082
20	San Francisco, CA Metro	SFO, SJC	1.5%	0.0	2,001
DESTINATIONS LISTED			62.1%	46.0	
OTHER TOP DESTINATIONS			37.9%	20.0	
TOTAL			100.0%	66.0	



¹ Ranking is based on enplanement share among active US cities.

² BACK Aviation Solutions and U.S. Department of Transportation 10% ticket survey, as of September 22, 2010.

³ BACK Aviation Solutions and Official Airline Guide, Inc. The number of daily nonstop departures equals annual scheduled nonstop departures divided by 365.

⁴ Bureau of Transportation Statistics. The average mileage is shown when more than one airport is listed.

4. Air Cargo

Table IV-8 presents the annual volume of air cargo handled at the Airport from FY 2006 through FY 2010, and the first two months of FY 2011. Freight represented nearly 100 percent of the annual volume of air cargo, which has been decreasing over the last five years.

TABLE IV-8
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
AIR CARGO
FY 2006 - 2010 and July - August 2010

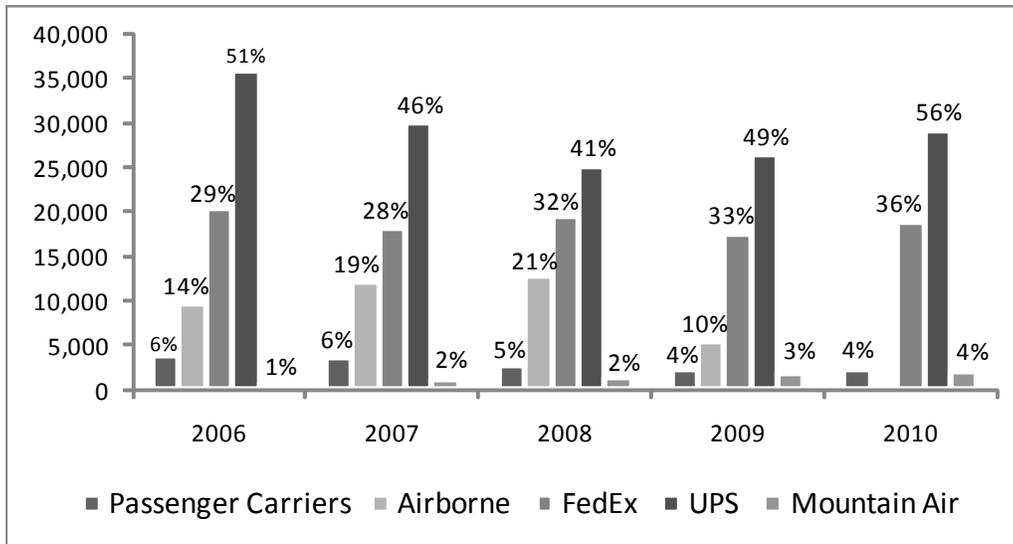
Fiscal Year	Freight (000 lbs.)		Mail (000 lbs)		Express (000 lbs.)		Total (000 lbs.)	
	Enplaned	Share	Enplaned	Share	Enplaned	Share	Enplaned	Share
2006	70,380	97.7%	853	1.2%	800	1.1%	72,033	100.0%
2007	64,977	99.7%	126	0.2%	41	0.1%	65,144	100.0%
2008	61,505	100.0%	22	0.0%	-	0.0%	61,528	100.0%
2009	53,461	100.0%	0	0.0%	8	0.0%	53,470	100.0%
2010	52,272	99.9%	1	0.0%	74	0.1%	52,348	100.0%
Jul-Aug 2009	10,759	100.0%	-	0.0%	5	0.0%	10,764	100.0%
Jul-Aug 2010	8,864	99.7%	6	0.1%	18	0.2%	8,888	100.0%
Average Annual Growth Rate								
2006-2010	-7.2%		n.m.		n.m.		-7.7%	
Jul-Aug 2010	-17.6%		n.m.		n.m.		-17.4%	

n.m. - not meaningful

Source: Airport management records.

Freight at BHM is carried by passenger carriers and all-cargo carriers. **Figure IV-4** presents the total freight carried between FY 2006 and 2010 by carrier. UPS is the dominant all-cargo carrier and accounted for 55.8 percent of the freight carried at the Airport in FY 2010. Federal Express accounted for the second largest share of 36.2 percent of total freight in the same year.

FIGURE IV-4
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
SHARE OF ANNUAL FREIGHT VOLUME BY CARRIER
FY 2006 - 2010



Source: Airport management records.

5. Aircraft Operations

FAA tower records of all categories of aircraft operations at BHM from FY 2006 through 2010 and the first two months of FY 2011 are presented in **Table IV-9**. Overall, total aircraft operations at the Airport decreased at an average annual rate of -7.3 percent between FY 2006 and 2010. During July and August of 2010, total aircraft operations increased nearly 1.0 percent compared to the same period in FY 2010. The relative shares of large and small air carriers of total annual operations increased with the significant decreases in general aviation and military operations. For purposes of tracking aircraft operations, the category “large air carrier” represents operations by commercial aircraft with 60 or more seats, and the category “small air carrier” represents operations by commercial aircraft with less than 60 seats. General aviation covers a broad range of aircraft activity, including recreational flying, flying for corporate business, pilot training, and the movement of large or heavy loads by helicopter. Nearby Bessemer Airport and St. Clair County Airport are designated as general aviation reliever airports for BHM and therefore serve most of the general aviation traffic in the area. Military operations represent the Alabama Air Guard 117th Air Refueling Wing and other U.S. Department of Defense activity in the vicinity of the Airport.

TABLE IV-9
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
AIRCRAFT OPERATIONS
FY 2006 - 2010 and July - August 2010

Year	Large Air Carrier ¹	Small Air Carrier	General Aviation	Military	Total Operations
2006	33,492	40,413	3,036	61,466	138,407
2007	32,485	39,050	3,264	59,256	134,055
2008	37,273	38,902	1,932	53,520	131,627
2009	34,793	31,849	624	41,812	109,078
2010	28,720	34,246	322	38,958	102,246
Jul-Aug 2009	5,198	5,828	70	6,500	17,596
Jul-Aug 2010	5,177	5,782	52	6,726	17,737
Average Annual Growth Rate					
2006-2010	-3.8%	-4.1%	-42.9%	-10.8%	-7.3%
Jul-Aug 2010	-0.4%	-0.8%	-25.7%	3.5%	0.8%

Source: Airport management records (based on FAA tower reports).

¹ Includes operations by aircraft with 60 or more seats.

According to the FAA, since September 11, 2001, mainline carriers have been successfully negotiating the relaxation of existing scope clauses with their pilot unions, leading to a shift in both the type and size of aircraft operated by the regional/commuter carriers. Increasingly, regional/commuter carriers are operating larger regional jets, while some of the mainline carriers are shifting to smaller equipment – a trend described by the FAA as a “convergence of the U.S. airline fleet”.⁹ Hence, some of the aircraft operations counted under the “large air carrier” category may actually represent operations by regional carriers using larger aircraft.

6. Commercial Aircraft Landings and Landed Weight

Table IV-10 and **Table IV-11** presents total commercial aircraft landings and landed weight at the Airport from FY 2008 through 2010. Commercial aircraft landings and landed weight decreased -12.7 percent and -16.5 percent, respectively from FY 2008 to FY 2010. The larger percentage decrease in landed weight reflects the increase in the use of regional aircraft at BHM.

⁹ FAA, *Aerospace Forecasts, FY 2005-2016*, March 2005, pages IV-1 and IV-2.

TABLE IV-10
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
COMMERCIAL AIRCRAFT LANDINGS BY AIRLINE
FY 2008 - 2010

Airline	Aircraft Landings			Market Share		Percent Change
	FY 2008	FY 2009	FY 2010	FY 2008	FY 2010	FY 2008-10
American - Mainline	1,234	1,175	1,093	4.5%	4.5%	-11.4%
American Eagle	705	89	166	2.5%	0.7%	-76.5%
Total - American	1,939	1,264	1,259	7.0%	5.2%	-35.1%
Continental - Mainline	248	4	-	0.9%	0.0%	-100.0%
Continental Express	3,474	3,129	2,218	12.5%	9.2%	-36.1%
Total - Continental	3,722	3,133	2,218	13.4%	9.2%	-40.4%
Delta	1,939	1,535	640	7.0%	2.6%	-67.0%
Delta Connection	3,707	3,548	6,494	13.4%	26.8%	75.2%
Total - Delta	5,646	5,083	7,134	20.4%	29.5%	26.4%
Northwest - Mainline	554	266	2	2.0%	0.0%	-99.6%
Northwest Airlin ¹	1,571	1,795	911	5.7%	3.8%	-42.0%
Total - Northwest ¹	2,125	2,061	913	7.7%	3.8%	-57.0%
Southwest	9,026	8,885	8,345	32.6%	34.5%	-7.5%
United - Mainline	-	-	-	0.0%	0.0%	n.m.
United Express	2,584	2,080	2,219	9.3%	9.2%	-14.1%
Total - United	2,584	2,080	2,219	9.3%	9.2%	-14.1%
US Airways - Mainline	3	5	2	0.0%	0.0%	-33.3%
US Airways Express	2,672	2,468	2,118	9.6%	8.7%	-20.7%
Total - US Airways	2,675	2,473	2,120	9.7%	8.8%	-20.7%
Subtotal - Mainline	13,004	11,870	10,082	46.9%	47.5%	-22.5%
Subtotal - Regional/Commuter	14,713	13,109	14,126	53.1%	52.5%	-4.0%
TOTAL - ALL AIRLINES	27,717	24,979	24,208	100.0%	100.0%	-12.7%
Annual Growth Rate	-	-9.9%	-3.1%			

Source: Airport management records.

¹ Delta completed its merger with Northwest in 2008 and completed the consolidation of gates and ticket counters at airports where both airlines operated in 2009.

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TABLE IV-11
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
COMMERCIAL AIRCRAFT LANDED WEIGHT LANDED WEIGHT
FY 2008 - 2010

Airline	Landed Weight (000 lbs.)			Market Share		Percent Change
	FY 2008	FY 2009	FY 2010	FY 2008	FY 2010	FY08-10
American - Mainline	161,785	146,882	135,614	6.9%	6.9%	-16.2%
American Connection	27,382	3,776	1,956	1.2%	0.1%	-92.9%
Total - American	189,167	150,658	137,570	8.1%	7.0%	-27.3%
Continental - Mainline	127,168	113,399	90,159	5.4%	4.6%	-29.1%
Continental Express	22,206	-	-	0.9%	0.0%	-100.0%
Total - Continental	149,374	113,399	90,159	6.4%	4.6%	-39.6%
Delta - Mainline	262,572	206,309	98,941	11.2%	5.1%	-62.3%
Delta Connection ¹	179,043	185,092	319,898	7.6%	16.4%	78.7%
Total - Delta	441,615	391,401	418,839	18.9%	21.4%	-5.2%
Northwest - Mainline	50,984	27,339	912	2.2%	0.0%	-98.2%
Northwest Airlink ¹	79,830	110,304	49,655	3.4%	2.5%	-37.8%
Total - Northwest ²	130,815	137,643	50,567	5.6%	2.6%	-61.3%
Southwest	1,097,754	1,078,750	1,004,714	46.9%	51.4%	-8.5%
United - Mainline	-	-	-	0.0%	0.0%	n.m.
United Express	148,633	115,727	115,315	6.3%	5.9%	-22.4%
Total - United	148,633	115,727	115,315	6.3%	5.9%	-22.4%
US Airways - Mainline	349	658	284	0.0%	0.0%	-18.5%
US Airways Express	184,818	153,941	138,682	7.9%	7.1%	-25.0%
Total - US Airways	185,167	154,599	138,966	7.9%	7.1%	-25.0%
Subtotal - Mainline	1,700,612	1,573,337	1,330,624	72.6%	68.0%	-21.8%
Subtotal - Regional/Commuter	641,912	568,840	625,506	27.4%	32.0%	-2.6%
TOTAL - ALL AIRLINES	2,342,524	2,142,176	1,956,130	100.0%	100.0%	-16.5%
Annual Growth Rate		-8.6%	-8.7%			

¹ The Airport reports Pinnacle landed weight collectively. Unison estimated the allocation between Delta and Northwest.

² Delta completed its merger with Northwest in 2008 and completed the consolidation of gates and ticket counters at airports where both airlines operated in 2009.

Source: Airport management records.

B. FORECAST AVIATION ACTIVITY

This sub-section presents forecasts of annual commercial aviation activity at the Airport for FY 2011 through FY 2017. We adopt a hybrid approach that utilizes published airline schedules to forecast activity for FY 2011 and an econometric model that links long-term traffic growth trends to projected trends in key demand drivers during the remainder of the forecast period.

Airline flight schedules published as of September 2010 indicate a year-over-year increase of 1.9 percent in scheduled seat capacity at BHM for FY 2011. Assuming that boarding load factors will be maintained, the increase in scheduled capacity will translate into a 1.9 percent increase in enplanements at BHM in FY 2011. The airline flight schedules are also used as the basis for projections of commercial aircraft departures and landed weight in FY 2011.

To forecast activity beyond FY 2011, we developed a multivariate regression model that relates enplanements to (1) long-term demand drivers such as trends in the price of air travel and economic activity, and (2) structural changes that have been taking place in the industry post-September 11, 2001, with an appropriate correction for serial correlation found in the historical time series data. The results of this regression model are used to project annual growth rates in enplanements from FY 2012 through FY 2017. The resulting forecast annual enplanement levels are then used to project aircraft departures (or landings) and landed weight, along with certain assumptions regarding fleet mix and boarding load factors

Different assumptions regarding the pace of economic recovery in the United States produced the three forecast scenarios. The high scenario is based, among other factors, on an independent forecast of moderate economic recovery, while the base and low scenarios assume a sluggish economic recovery.

On September 27, 2010, Southwest announced that it had entered into a definitive agreement to acquire AirTran Holding, Inc., the parent company of AirTran Airways. The implications of the merger agreement on air traffic at BHM are unknown as of the date of this Report. Southwest has the largest share of passenger traffic at BHM (45.2 percent in FY 2010), and AirTran does not currently operate at BHM. In addition to a slower economic recovery, the low scenario simulates a potential adverse impact on air traffic at BHM in the case of a service consolidation by Southwest at the other nearby commercial service airports (Hartsfield-Jackson Atlanta and Huntsville International Airports) currently served by AirTran, should the merger of the two airlines occur. The low scenario assumes a 25 percent reduction in forecast enplanements for Southwest beginning in FY 2012.

1. Multivariate Regression Model

Multivariate regression analysis is an integral component of our forecasting approach, particularly in projecting annual enplanement growth rates. Multivariate regression analysis provides a systematic framework to link forecast activity with key explanatory variables that drive demand for air travel. By design, regression analysis reduces subjective inputs and minimizes random forecast errors. The regression model of enplanements at the Airport was specified with the explanatory variables described below:

- **Price of air travel.** The demand for air travel is inversely related to its price. Holding all other factors constant, more people travel and do so more frequently when air fares go down, and fewer people travel and do so less frequently when air fares go up. Airfares, in real terms, have followed a long-term trend of decline since the deregulation of the U.S. airline industry in 1978, stimulating growth in air travel. A variety of factors have combined to reduce airfares: productivity growth, competition, particularly from low-cost carriers, price transparency on the Internet, and growing price consciousness among both leisure and business travelers. The average domestic real passenger yield (revenue per passenger mile) at BHM was used as a measure of the price of air travel. According to data from the U.S. Department of Transportation 10-percent ticket survey, the average domestic real passenger yield at BHM declined at an average annual rate of -2.7 percent between 1981 and 2009. For the high forecast scenario, passenger yield is projected to continue declining at an average annual rate of -1.0 percent during the forecast period, following FAA industry projections.¹⁰ A more conservative annual yield trend projection of -0.3 percent, based on the long-run average calculated for the 1990-2009 period, is used in the base and low forecast scenarios.
- **Income.** The demand for air travel increases with income because income growth boosts consumer spending and stimulates business activity. We used personal income, adjusted for inflation utilizing the Consumer Price Index, in the Birmingham-Hoover MSA as a measure of passenger income. Historical and forecast data were obtained from Moody's Economy.com, an independent economic forecasting firm. Different assumptions with respect to the pace of economic recovery and resulting employment growth were utilized to produce the alternative forecasts of activity. For the high forecast, we use the economic projections of Moody's Economy.com. For the base and low forecasts, we assumed a slower pace of economic recovery during the forecast period than projected by Moody's Economy.com. Real personal income in the Birmingham-Hoover MSA increased at an average annual rate of 2.9 percent between 1981 and 2009. With moderate economic recovery in the United States and the

¹⁰ Federal Aviation Administration, *Aerospace Forecasts*, FY 2010-2030, March 2010.

Birmingham-Hoover MSA, it is projected to increase at an average annual rate of 4.1 percent in the 2010-2017 period under the high scenario. In the base and low scenarios, real personal income grows at an average annual rate of 2.8 percent for the period, based on the long-run average for the 1990-2009 period.

- **Local employment.** In addition to real personal income, we also used non-farm employment in the Birmingham-Hoover MSA to represent the income effect. Business activity and income increase with employment. With BHM passenger traffic consisting largely of O&D, local measures of real personal income and non-farm employment proved to be better predictors of changes in BHM enplanements than national indicators. Historical and forecast data were also obtained from Moody's Economy.com. Non-farm employment increased at an average annual rate of 1.2 percent between 1981 and 2009. Following recovery from the current recession, this variable is projected to increase at an average annual rate of 2.3 percent between 2009 and 2017 under the high scenario, and at an average annual rate of only 0.9 percent under the base and low scenarios, based on the long-run average for the 1990-2009 period.
- **Post-September 11, 2001 structural changes.** Since the estimation period used in regression modeling extended back to years prior to the September 11, 2001 events, a variable was included to account for the structural changes that have occurred in the market and the industry following the September 11, 2001 events.

2. Forecast Assumptions

Historical and forecast data on economic indicators were obtained from Moody's Economy.com, an independent economic forecasting firm. The outlook for the Birmingham-Hoover MSA is for the recovery to match the projected U.S. trends due to the diverse presence of major companies in the area. Real personal income recovery is expected to be modest through 2011. In 2012, growth accelerates for several years before falling back to a long-term average growth rate. With unemployment currently near the U.S. average at 9.9 percent, hiring is expected to be modest until 2012 and then accelerate.

Table IV-12 contains the annual growth rate projections for real yield, real personal income and local non-farm employment underlying the three activity forecast scenarios.

TABLE IV-12
ANNUAL GROWTH RATE PROJECTIONS FOR
KEY LONG-TERM DEMAND DRIVERS
CY 2010 - 2017

Calendar Year	Real Yield ¹			Real personal Income ³			Non-Farm Employment ³		
	Base	High	Low ²	Base	High	Low ²	Base	High	Low ²
2010	4.1%	4.1%	4.1%	-1.2%	-1.2%	-1.2%	-4.1%	-4.1%	-4.1%
2011	0.9%	0.9%	0.9%	2.7%	2.7%	2.7%	0.8%	0.8%	0.8%
2012	-0.5%	-1.3%	-0.5%	2.8%	4.8%	2.8%	0.9%	2.9%	0.9%
2013	-0.5%	-1.3%	-0.5%	2.8%	5.2%	2.8%	0.9%	3.3%	0.9%
2014	-0.5%	-1.4%	-0.5%	2.8%	4.9%	2.8%	0.9%	3.2%	0.9%
2015	-0.5%	-1.3%	-0.5%	2.8%	4.0%	2.8%	0.9%	2.5%	0.9%
2016	-0.5%	-1.2%	-0.5%	2.8%	3.4%	2.8%	0.9%	1.8%	0.9%
2017	-0.5%	-1.2%	-0.5%	2.8%	3.4%	2.8%	0.9%	1.8%	0.9%

¹ Revenue per passenger mile.

² The low scenario simulates the loss of 25 percent of Southwest Airlines traffic at BHM beginning in FY 2012.

³ For the Birmingham-Hoover MSA.

3. Forecast Results

Table IV-13 presents the forecasts of enplanements at BHM developed using the published airline flight schedules and the regression model (base, low, and high scenarios).

For comparison, results from the following two additional forecast approaches are also presented:

- *FAA Terminal Area Forecasts (TAF)*. The FAA develops forecast activity for each airport annually for use in planning, budgeting, and staffing, and the most recent TAF was published in December 2009. The TAF is convenient to use because it is readily available. However, it can be outdated by the time of its publication because it takes about a year for the TAF to be produced, approved and published.
- *Market Share Analysis*. Market share analysis (also called ratio analysis) is a top-down approach to forecasting airport activity, allocating aggregate activity – for example, national, state or regional – to the airport level. The FAA national forecasts of enplanements, updated and published annually, provide a convenient basis for implementing market share analysis. Future enplanements at the Airport can be projected by applying the Airport's current market share to the latest national forecasts published in March 2010. Market share analysis is easy to implement, but it does not take into account trends in local market factors that could affect enplanement growth or cause local trends to diverge from national trends.

We recommend using the hybrid forecasting approach, which uses published airline flight schedules to forecast activity for FY 2011, and the multivariate regression model to forecast activity for FY 2012 and subsequent years. The regression model results are based on sound theory and systematic analytical framework that links activity trends with key demand drivers.

TABLE IV-13
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
ALTERNATIVE FORECASTS OF ENPLANEMENTS
FY 2010 - 2017

Fiscal Year	Regression Model						FAA TAF ¹		Market Share	
	Base		Low		High		EP (000)	AGR	EP (000)	AGR
	EP (000)	AGR	EP (000)	AGR	EP (000)	AGR				
2010 (Actual)	1,455	-1.5%	1,455	-1.5%	1,455	-1.5%	1,455	-1.5%	1,455	-1.5%
2011	1,483	1.9%	1,483	1.9%	1,483	1.9%	1,502	3.3%	1,476	1.5%
2012	1,495	0.8%	1,330	-10.3%	1,531	3.2%	1,540	2.5%	1,521	3.0%
2013	1,539	2.9%	1,369	2.9%	1,627	6.3%	1,579	2.5%	1,568	3.1%
2014	1,583	2.9%	1,409	2.9%	1,725	6.0%	1,619	2.5%	1,610	2.7%
2015	1,628	2.8%	1,448	2.8%	1,805	4.6%	1,659	2.5%	1,651	2.5%
2016	1,675	2.9%	1,491	3.0%	1,874	3.8%	1,701	2.5%	1,691	2.4%
2017	1,725	3.0%	1,535	3.0%	1,940	3.5%	1,744	2.5%	1,731	2.4%
Average Annual Growth Rate										
2010-2017		2.5%		0.8%		4.2%		2.6%		2.5%

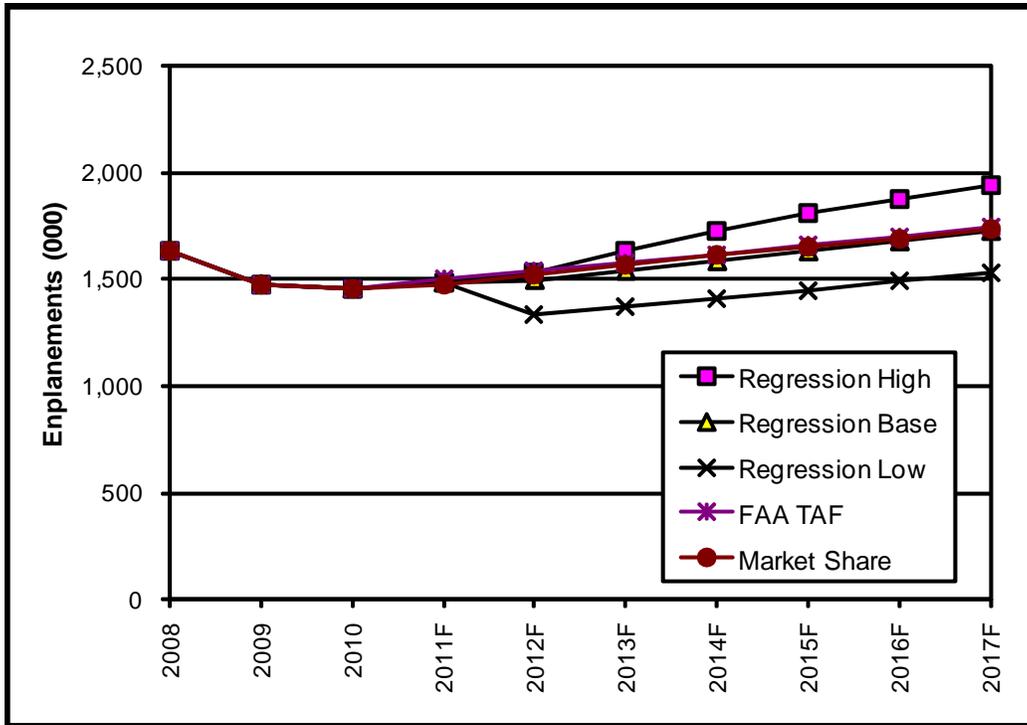
EP - Enplanements; AGR - Annual Growth Rate

¹ Figures in the FAA TAF are on a federal fiscal year basis (October-September) and have been converted to BHM's fiscal year basis for this table.

All forecasts are subject to uncertainty. The above forecasts are based on information that is available as of this Report's date. Various factors, other than those included in the forecast models, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not materialize. Therefore actual performance may differ from the forecasts, and the difference may be significant.

Figure IV-5 shows the base, low, and high forecasts of enplanements along with results from (1) the most recent FAA TAF and (2) market share analysis. The base forecast, the FAA TAF and market share projections provide a consistent outlook for the forecast period.

FIGURE IV-5
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
ALTERNATIVE FORECASTS - ENPLANEMENTS
FORECASTS ON FY BASIS BEGINNING 2011



Note: Forecast (F) begins 2011

The following tables present the details of forecast aviation activity at BHM:

Table IV-14 – Base Forecast of Enplanements

Table IV-15 – Base Forecast of Aircraft Departures

Table IV-16 – Base Forecast of Landed Weight

Table IV-17 – Low Forecast of Enplanements

Table IV-18 – Low Forecast of Aircraft Departures

Table IV-19 – Low Forecast of Landed Weight

Table IV-20 – High Forecast of Enplanements

Table IV-21 – High Forecast of Aircraft Departures

Table IV-22 – High Forecast of Landed Weight

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For FY 2011, the published airline flight schedules serve as the basis for projections of commercial aircraft departures (assumed equal to landings) and landed weight. For FY 2012 and beyond, forecast annual enplanement levels provided the basis for projecting aircraft departures, under certain assumptions regarding trends in boarding load factors and aircraft seat capacity. Forecast aircraft departures, in turn, served as the basis for projecting landed weight, given the mix of aircraft operated by airlines at BHM and assumptions about trends in aircraft size.

TABLE IV-14A
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
DETAILED FORECAST OF ENPLANEMENTS - BASE
FY 2010 - 2017

Activity	Actual	Forecast							AAGR
	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017
Mainline Air Carrier									
Southwest	657,778	653,000	659,000	678,000	697,000	718,000	738,000	760,000	2.1%
Delta	61,647	84,000	85,000	87,000	90,000	92,000	95,000	98,000	6.8%
Others	104,804	103,000	104,000	107,000	110,000	113,000	116,000	120,000	2.0%
Subtotal-Mainline	824,229	840,000	848,000	872,000	897,000	923,000	949,000	978,000	2.5%
Regional Air Carriers									
Delta Connection	287,009	322,000	324,000	334,000	344,000	353,000	364,000	374,000	3.9%
Others	343,412	321,000	323,000	333,000	342,000	352,000	362,000	373,000	1.2%
Subtotal-Regional	630,421	643,000	647,000	667,000	686,000	705,000	726,000	747,000	2.5%
Total-Enplanements	1,454,650	1,483,000	1,495,000	1,539,000	1,583,000	1,628,000	1,675,000	1,725,000	2.5%
Annual Growth Rate	-1.5%	1.9%	0.8%	2.9%	2.9%	2.8%	2.9%	3.0%	

AAGR - Average Annual Growth Rate

TABLE IV-14B
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
DETAILED FORECAST OF AIRCRAFT DEPARTURES (ARRIVALS) - BASE
FY 2010 - 2017

Activity	Actual	Forecast							AAGR
	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017
Mainline Air Carrier									
Southwest	8,345	8,200	8,300	8,500	8,700	8,900	9,200	9,400	1.7%
Delta	640	900	900	1,000	1,000	1,000	1,000	1,100	8.0%
Others	1,097	1,100	1,100	1,100	1,100	1,200	1,200	1,200	1.3%
Subtotal-Mainline	10,082	10,200	10,300	10,600	10,800	11,100	11,400	11,700	2.1%
Regional Air Carriers									
Delta Connection	6,494	7,000	7,100	7,200	7,400	7,500	7,700	7,900	2.8%
Others	7,632	7,200	7,200	7,400	7,500	7,700	7,900	8,100	0.9%
Subtotal-Regional	14,126	14,200	14,300	14,600	14,900	15,200	15,600	16,000	1.8%
Subtotal-Passenger	24,208	24,400	24,600	25,200	25,700	26,300	27,000	27,700	1.9%
All-Cargo	586	600	600	600	600	600	600	600	0.3%
Total -Departures	24,794	25,000	25,200	25,800	26,300	26,900	27,600	28,300	1.9%
Annual Growth Rate	-3.1%	0.8%	0.8%	2.4%	2.0%	2.3%	2.7%	2.6%	

AAGR - Average Annual Growth Rate

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not materialize. Therefore actual performance may differ from the forecast, and the difference may be significant.

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TABLE IV-14C
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
DETAILED FORECAST OF AIRCRAFT LANDED WEIGHT (In Thousand Pounds) - BASE
FY 2010 - 2017

Activity	Actual	Forecast							AAGR
	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017
Mainline Air Carrier									
Southwest	1,004,714	991,000	1,001,000	1,026,000	1,052,000	1,079,000	1,109,000	1,139,000	1.8%
Delta	98,941	134,000	136,000	139,000	143,000	146,000	150,000	155,000	6.6%
Others	136,810	135,000	134,000	137,000	141,000	145,000	149,000	153,000	1.6%
Subtotal-Mainline	1,240,465	1,260,000	1,271,000	1,302,000	1,336,000	1,370,000	1,408,000	1,447,000	2.2%
Regional Air Carrier									
Delta Connection	319,898	359,000	361,000	369,000	377,000	385,000	395,000	404,000	3.4%
Others	400,731	320,000	322,000	329,000	336,000	344,000	352,000	360,000	-1.5%
Subtotal-Regional	720,629	679,000	683,000	698,000	713,000	729,000	747,000	764,000	0.8%
Subtotal-Passenger	1,961,094	1,939,000	1,954,000	2,000,000	2,049,000	2,099,000	2,155,000	2,211,000	1.7%
All-Cargo	136,705	137,000	137,000	137,000	137,000	137,000	137,000	137,000	0.0%
Total -Landed Weight (000 lbs.)	2,097,798	2,076,000	2,091,000	2,137,000	2,186,000	2,236,000	2,292,000	2,348,000	1.6%
Annual Growth Rate	-8.9%	-1.0%	0.7%	2.2%	2.3%	2.3%	2.5%	2.6%	

AAGR - Average Annual Growth Rate

TABLE IV-15A
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
DETAILED FORECAST OF ENPLANEMENTS - LOW
FY 2010 - 2017

Activity	Actual	Forecast							AAGR
	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017
Mainline Air Carrier									
Southwest	657,778	653,000	494,000	508,000	523,000	538,000	554,000	570,000	-2.0%
Delta	61,647	84,000	85,000	87,000	90,000	92,000	95,000	98,000	6.8%
Others	104,804	103,000	104,000	107,000	110,000	113,000	116,000	120,000	2.0%
Subtotal-Mainline	824,229	840,000	683,000	702,000	723,000	743,000	765,000	788,000	-0.6%
Regional Air Carriers									
Delta Connection	287,009	322,000	324,000	334,000	344,000	353,000	364,000	374,000	3.9%
Others	343,412	321,000	323,000	333,000	342,000	352,000	362,000	373,000	1.2%
Subtotal-Regional	630,421	643,000	647,000	667,000	686,000	705,000	726,000	747,000	2.5%
Total-Enplanements	1,454,650	1,483,000	1,330,000	1,369,000	1,409,000	1,448,000	1,491,000	1,535,000	0.8%
Annual Growth Rate	-1.5%	1.9%	-10.3%	2.9%	2.9%	2.8%	3.0%	3.0%	

AAGR - Average Annual Growth Rate

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not materialize. Therefore actual performance may differ from the forecast, and the difference may be significant.

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TABLE IV-15B
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
DETAILED FORECAST OF AIRCRAFT DEPARTURES (ARRIVALS) - LOW
FY 2010 - 2017

Activity	Actual	Forecast							AAGR
	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017
Mainline Air Carrier									
Southwest	8,345	8,200	6,200	6,400	6,500	6,700	6,900	7,100	-2.3%
Delta	640	100	200	700	700	700	700	800	3.2%
Others	1,097	1,900	1,900	1,400	1,400	1,500	1,500	1,500	4.6%
Subtotal-Mainline	10,082	10,200	8,300	8,500	8,600	8,900	9,100	9,400	-1.0%
Regional Air Carriers									
Delta Connection	6,494	7,000	7,100	7,200	7,400	7,500	7,700	7,900	2.8%
Others	7,632	7,200	7,200	7,400	7,500	7,700	7,900	8,100	0.9%
Subtotal-Regional	14,126	14,200	14,300	14,600	14,900	15,200	15,600	16,000	1.8%
Subtotal-Passenger	24,208	24,400	22,600	23,100	23,500	24,100	24,700	25,400	0.7%
All-Cargo	586	600	600	600	600	600	600	600	0.3%
Total -Departures	24,794	25,000	23,200	23,700	24,100	24,700	25,300	26,000	0.7%
Annual Growth Rate	-3.1%	0.8%	-7.2%	2.2%	1.7%	2.5%	2.4%	2.8%	

AAGR - Average Annual Growth Rate

TABLE IV-15C
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
DETAILED FORECAST OF AIRCRAFT LANDED WEIGHT (In Thousand Pounds) - LOW
FY 2010 - 2017

Activity	Actual	Forecast							AAGR
	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017
Mainline Air Carrier									
Southwest	1,004,714	991,000	751,000	770,000	789,000	809,000	832,000	854,000	-2.3%
Delta	98,941	134,000	136,000	139,000	143,000	146,000	150,000	155,000	6.6%
Others	136,810	135,000	134,000	137,000	141,000	145,000	149,000	153,000	1.6%
Subtotal-Mainline	1,240,465	1,260,000	1,021,000	1,046,000	1,073,000	1,100,000	1,131,000	1,162,000	-0.9%
Regional Air Carrier									
Delta Connection	319,898	359,000	361,000	369,000	377,000	385,000	395,000	404,000	3.4%
Others	400,731	320,000	322,000	329,000	336,000	344,000	352,000	360,000	-1.5%
Subtotal-Regional	720,629	679,000	683,000	698,000	713,000	729,000	747,000	764,000	0.8%
Subtotal-Passenger	1,961,094	1,939,000	1,704,000	1,744,000	1,786,000	1,829,000	1,878,000	1,926,000	-0.3%
All-Cargo	136,705	137,000	137,000	137,000	137,000	137,000	137,000	137,000	0.0%
Total -Landed Weight (000 lbs.)	2,097,798	2,076,000	1,841,000	1,881,000	1,923,000	1,966,000	2,015,000	2,063,000	-0.2%
Annual Growth Rate	-8.9%	-1.0%	-11.3%	2.2%	2.2%	2.2%	2.5%	2.6%	

AAGR - Average Annual Growth Rate

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not materialize. Therefore actual performance may differ from the forecast, and the difference may be significant.

BIRMINGHAM AIRPORT AUTHORITY
Financial Feasibility Report

TABLE IV-16A
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
DETAILED FORECAST OF ENPLANEMENTS - HIGH
FY 2010 - 2017

Activity	Actual	Forecast							AAGR
	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017
Mainline Air Carrier									
Southwest	657,778	653,000	675,000	717,000	760,000	795,000	826,000	855,000	3.8%
Delta	61,647	84,000	87,000	92,000	98,000	102,000	106,000	110,000	8.6%
Others	104,804	103,000	106,000	113,000	120,000	126,000	130,000	135,000	3.7%
Subtotal-Mainline	824,229	840,000	868,000	922,000	978,000	1,023,000	1,062,000	1,100,000	4.2%
Regional Air Carriers									
Delta Connection	287,009	322,000	332,000	353,000	374,000	392,000	407,000	421,000	5.6%
Others	343,412	321,000	331,000	352,000	373,000	390,000	405,000	419,000	2.9%
Subtotal-Regional	630,421	643,000	663,000	705,000	747,000	782,000	812,000	840,000	4.2%
Total-Enplanements	1,454,650	1,483,000	1,531,000	1,627,000	1,725,000	1,805,000	1,874,000	1,940,000	4.2%
Annual Growth Rate	-1.5%	1.9%	3.2%	6.3%	6.0%	4.6%	3.8%	3.5%	

AAGR - Average Annual Growth Rate

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not materialize. Therefore actual performance may differ from the forecast, and the difference may be significant.

TABLE IV-16B
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
DETAILED FORECAST OF AIRCRAFT DEPARTURES (ARRIVALS) - HIGH
FY 2010 - 2017

Activity	Actual	Forecast							AAGR
	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017
Mainline Air Carrier									
Southwest	8,345	8,200	8,500	9,000	9,500	9,900	10,300	10,600	3.5%
Delta	640	900	1,000	1,000	1,100	1,100	1,200	1,200	9.4%
Others	1,097	1,100	1,100	1,200	1,200	1,300	1,300	1,400	3.5%
Subtotal-Mainline	10,082	10,200	10,600	11,200	11,800	12,300	12,800	13,200	3.9%
Regional Air Carriers									
Delta Connection	6,494	7,000	7,200	7,600	8,000	8,300	8,600	8,800	4.4%
Others	7,632	7,200	7,400	7,800	8,200	8,500	8,800	9,100	2.5%
Subtotal-Regional	14,126	14,200	14,600	15,400	16,200	16,800	17,400	17,900	3.4%
Subtotal-Passenger	24,208	24,400	25,200	26,600	28,000	29,100	30,200	31,100	3.6%
All-Cargo	586	600	600	600	600	600	600	600	0.3%
Total -Departures	24,794	25,000	25,800	27,200	28,600	29,700	30,800	31,700	3.6%
Annual Growth Rate	-3.1%	0.8%	3.2%	5.4%	5.1%	3.8%	3.7%	3.0%	

AAGR - Average Annual Growth Rate

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not materialize. Therefore actual performance may differ from the forecast, and the difference may be significant.

BIRMINGHAM AIRPORT AUTHORITY
Financial Feasibility Report

TABLE IV-16C
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
DETAILED FORECAST OF AIRCRAFT LANDED WEIGHT (In Thousand Pounds) - HIGH
FY 2010 - 2017

Activity	Actual	Forecast							AAGR
	2010	2011	2012	2013	2014	2015	2016	2017	2010-2017
Mainline Air Carrier									
Southwest	1,004,714	991,000	1,026,000	1,086,000	1,147,000	1,196,000	1,240,000	1,281,000	3.5%
Delta	98,941	134,000	139,000	147,000	155,000	162,000	168,000	174,000	8.4%
Others	136,810	135,000	137,000	145,000	154,000	160,000	166,000	172,000	3.3%
Subtotal-Mainline	1,240,465	1,260,000	1,302,000	1,378,000	1,456,000	1,518,000	1,574,000	1,627,000	4.0%
Regional Air Carrier									
Delta Connection	319,898	359,000	370,000	390,000	411,000	427,000	441,000	454,000	5.1%
Others	400,731	320,000	330,000	348,000	366,000	381,000	394,000	405,000	0.2%
Subtotal-Regional	720,629	679,000	700,000	738,000	777,000	808,000	835,000	859,000	2.5%
Subtotal-Passenger	1,961,094	1,939,000	2,002,000	2,116,000	2,233,000	2,326,000	2,409,000	2,486,000	3.4%
All-Cargo	136,705	137,000	137,000	137,000	137,000	137,000	137,000	137,000	0.0%
Total -Landed Weight (000 lbs.)	2,097,798	2,076,000	2,139,000	2,253,000	2,370,000	2,463,000	2,546,000	2,623,000	3.2%
Annual Growth Rate	-8.9%	-1.0%	3.0%	5.3%	5.2%	3.9%	3.4%	3.2%	

AAGR - Average Annual Growth Rate

All forecasts are subject to uncertainty. The above forecast is based on information that is available as of the Report's date. Various factors, other than those included in the forecast model, can influence the future demand for air travel. Unexpected events may occur, and some of the underlying forecast assumptions may not materialize. Therefore actual performance may differ from the forecast, and the difference may be significant.

C. FORECAST UNCERTAINTY AND RISK FACTORS

The forecasts of aviation activity have been developed based on specific assumptions about the availability and characteristics of airline service at the Airport, key measurable factors that drive demand for air travel, and information available at the time of the analysis. There are broader factors affecting the entire aviation industry that introduce risk and uncertainty into the forecasts. Some of these factors are discussed below.

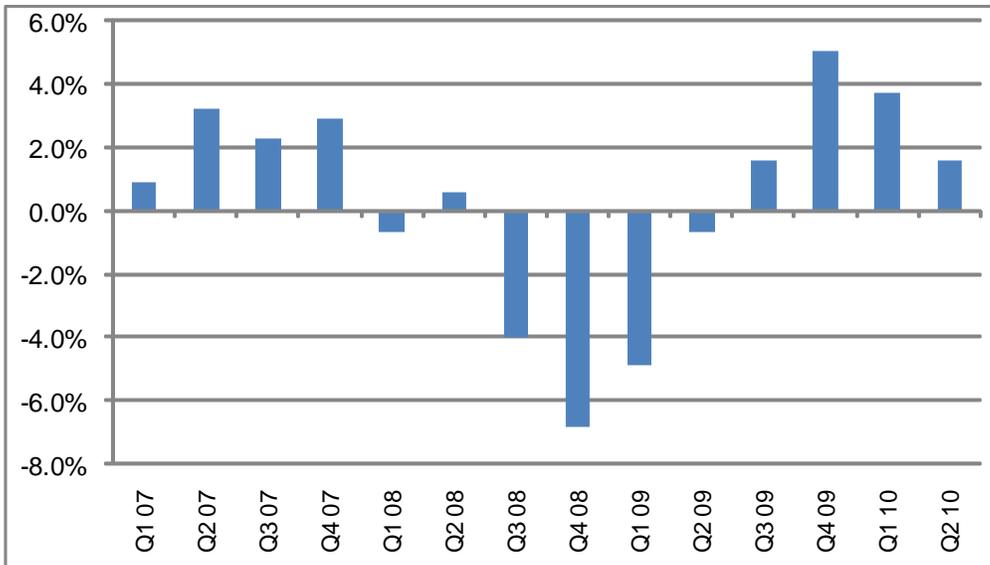
1. National Economic Conditions

The demand for air travel and related services is affected by prevailing economic conditions. Economic expansion increases income, boosts consumer confidence, stimulates business activity, and increases demand. In contrast, an economic recession reduces income, diminishes consumer confidence, dampens business activity, and weakens demand. The U.S. economy peaked in December 2007 and entered a period of recession that ended in June 2009.¹¹ Compared to the 2001 recession, which was mild and brief, the latest recession was deeper and longer. **Figure IV-6** shows the actual percent changes in U.S. real gross domestic product (GDP), a broad measure of economic activity, from the first quarter of Calendar Year (CY) 2007 through the second quarter of CY

¹¹ National Bureau of Economic Research Business Cycle Dating Committee, *NBER Business Cycle Dating Committee Announces Trough Date*, September 20, 2010.

2010, as reported by the U.S. Bureau of Economic Analysis. The U.S. economy posted negative growth every quarter from the first quarter of CY 2008 through the second quarter of CY 2009, except during the second quarter of CY 2008. The deepest declines in real GDP occurred during the fourth quarter of CY 2008 and the first quarter of CY 2009. The trend began to improve in the second quarter when real GDP posted a very mild decline. Positive growth from the third quarter of CY 2009 through the second quarter of CY 2010 indicates the beginning of economic recovery, consistent with independent economic forecasts from various sources (**Table IV-17**).

FIGURE IV-6
PERCENT CHANGE IN U.S. REAL GROSS DOMESTIC PRODUCT ¹
First Quarter CY 2007 - Second Quarter CY 2010



¹ GDP percent change based on chained 2005 dollars.

Source: U.S. Bureau of Economic Analysis

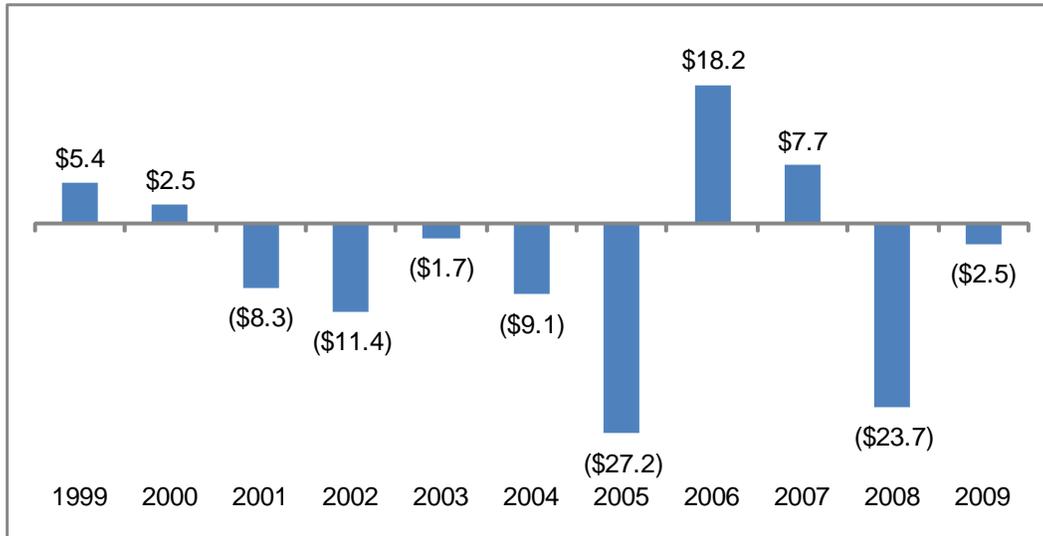
TABLE IV-17
FORECAST PERCENT CHANGE IN REAL U.S. GROSS DOMESTIC PRODUCT
CY 2010 - 2017

Source	2010	2011	2012	2013	2014	2015	2016	2017
Moody's economy.com, September 2010	2.8	3.3	4.8	3.6	2.7	2.5	2.3	2.3
Congressional Budget Office, August 2010	3.0	2.1	3.4	4.7	4.2	2.7	2.5	2.4
Office of Management and Budget, July 23, 2010	3.2	3.6	4.2	4.2	4.0	3.6	3.2	2.8
Global Insight, in FAA Aerospace Forecast, March 2010, FFY basis	1.5	2.6	3.6	3.2	2.6	2.6	2.5	2.5
Federal Reserve Open Market Committee, June 2010	3.0-3.5	3.5-4.2	3.5-4.5					
Philadelphia Federal Reserve Bank - Survey of 37 Economists, August 13, 2010	2.9	2.7	3.6	2.6				
WSJ - Survey 57 of Economists, August 7-11, 2010	2.9	2.9						

2. Overall Financial Health of the U.S. Airline Industry

Financial weakness and volatility have characterized the U.S. airline industry, especially over the past decade. As shown in **Figure IV-7**, U.S. airlines posted net losses during five consecutive years from CY 2001 through CY 2005, with cumulative losses totaling \$57.7 billion. In CY 2006, the industry began to see positive results and continued to improve in CY 2007 despite record high oil prices. U.S. airlines realized a net profit of \$18.2 billion in CY 2006 and \$7.7 billion in CY 2007. However, jet fuel prices continued to escalate through July 2008, forcing some airlines into bankruptcy and liquidation, and others into reducing staff and seat capacity nationwide. Jet fuel prices have since fallen significantly, providing airlines with cost relief, but the demand for air travel has continued to weaken with the national and global economic slowdown. The industry has responded to declining demand by offering multiple fare sales, which have depressed industry revenues. U.S. airlines again incurred net losses totaling \$23.7 billion in CY 2008. As jet fuel prices decreased in 2009, the net losses reported by the U.S. airlines decreased to \$2.5 billion.

FIGURE IV-7
U.S. PASSENGER AND CARGO AIRLINES' ANNUAL NET PROFIT (in Billions)
CY 1999 - 2009



Source: Air Transport Association.

3. Price of Jet Fuel

The financial health of the airline industry is affected by the price of jet fuel. From 2000 to 2008, the price of jet fuel more than tripled, while the U.S. Consumer Price Index (CPI) – the price of a representative basket of U.S. goods and services – increased only 25.0 percent (**Table IV-18**). As a result, according to the Air Transport Association (ATA), fuel expenses, which historically ranged from 10 to 15 percent of U.S. passenger airline operating costs, now run between 30 and 50 percent. Fuel prices have fallen dramatically since July 2008, but they have increased by more than 35 percent during the first eight months of 2010 (**Figure IV-8**).

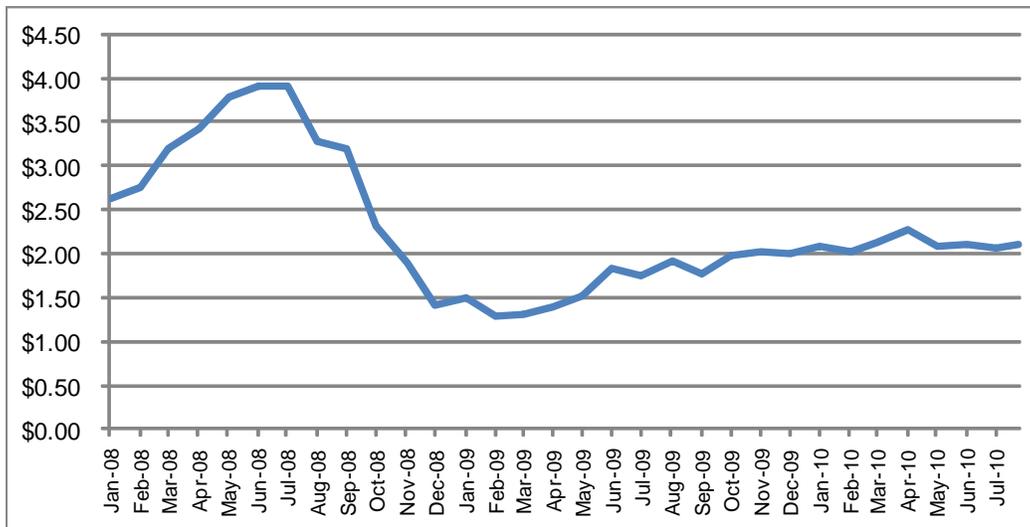
TABLE IV-18
U.S. AVERAGE JET FUEL PRICE AND
THE U.S. CONSUMER PRICE INDEX
2000 - August 2010

Year	U.S. Jet Fuel Price (Dollars per gallon)	U.S. CPI (1982-84=100)
2000	\$0.90	172.2
2001	\$0.75	177.0
2002	\$0.71	179.9
2003	\$0.86	184.0
2004	\$1.21	188.9
2005	\$1.73	195.3
2006	\$1.97	201.6
2007	\$2.17	207.3
2008	\$2.98	215.2
2009	\$1.69	214.5
Jan-Aug 2009	\$1.56	213.5
Jan-Aug 2010	\$2.11	217.5
Percent Change		
2000-2008	230.7%	25.0%
2008-2009	-43.3%	-0.3%
Jan-Aug 2010	35.3%	1.9%

Source: Data from Energy Information Administration compiled by
Air Transport Association.

CPI data from U.S. Bureau of Labor Statistics.

FIGURE IV-8
AVERAGE MARKET PRICE OF JET FUEL (DOLLARS PER GALLON)
January 2008 - August 2010



Source: Data from Energy Information Administration compiled by Air Transport Association.

4. Performance of Major Airlines at BHM

Southwest Airlines¹²

Southwest has the largest share of enplanements at BHM (45.2 percent in FY 2010). Southwest is among the few U.S. airlines that maintained profitability through the difficult period following the U.S. economic recession of 2001 and the terrorist attacks of September 11, 2001 and the most recent recession. Southwest reported a net profit of \$99 million for CY 2009. Southwest reported that during the first three quarters of CY 2009, it eliminated 10 percent of its flights, which represented their unprofitable and less popular flights. The airline's fleet remained flat in CY 2009, and the airline does not have any plans to increase its capacity in 2010. Aircraft freed up from the elimination of unprofitable and less popular flights were utilized to serve new markets, including Minneapolis/St. Paul, New York La Guardia, and Boston Logan. Overall, the airline's available seat miles flown decreased 5.1 percent in 2009, compared to 2008.

Southwest reported new revenue initiatives in CY 2009 to enhance revenues, including charges for pets, unaccompanied minors, and early check-in options. Additionally, the airline reported a positive effect on revenue resulting from its post-Labor Day fare sale. However, operating revenues decreased 6.1 percent in 2009, mainly due to a decrease in full fare bookings resulting from the airline's efforts to discount fares. Southwest believes its fare discounting initiatives were a primary cause of the increase in its load factor in 2009. The airline's over all load factor increased 4.8 percent to 76.0 percent in 2009. Southwest cautions that it is still working to contain operating costs. Although its energy prices were lower in CY 2009 compared to CY 2008, the reduction in fuel and oil expenses was almost exactly offset by reduction in revenue in CY 2009.

Southwest reported second quarter 2010 net income of \$112 million, compared to net income of \$91 million second quarter 2009.

Southwest announced on September 27 that it had entered into a definitive agreement to acquire all of the outstanding common stock of AirTran Holdings, Inc., the parent company of AirTran Airways, for a combination of cash and Southwest Airlines' common stock. The agreement has been unanimously approved by the boards of directors of each company, and closing is subject to the approval of AirTran stockholders, receipt of certain regulatory clearances, and fulfillment of customary closing conditions. The implications of this announcement on service at BHM are unknown as of the date of this Report. AirTran currently does not operate at BHM; it operates at nearby Hartsfield-Jackson Atlanta and Huntsville International Airports.

¹² The discussion in this subsection is based on information contained in Southwest Airlines' website at www.iflyswa.com.

Delta Air Lines¹³

Delta Air Lines (Delta), together with its regional affiliates, holds the second largest share of enplanements at BHM (20.7 percent in FY 2010). On October 29, 2008, Delta completed its merger with Northwest Airlines (Northwest),¹⁴ making Delta the largest commercial air carrier in the world. In February 2009, Delta and Northwest began consolidating gates and ticket counters at airports where both airlines operated. In January 2010 Delta and Northwest completed the consolidation of their gates and ticket counters at airports where both airlines had operated. The integrated operations of Delta, Northwest, and their regional affiliates accounted for 26.7 percent of enplanements at BHM in FY 2010. For the year ended December 31, 2009, Delta reported a net loss of \$1.2 billion. The notes to Delta's 2009 financial statements state that the airline anticipates several operational and financial benefits from the merger.

Delta made the following disclosures regarding its financial operations for the quarter ended June 30, 2010:

- Delta's net income for the quarter was \$549 million, excluding special items, compared to a net loss of \$199 million, excluding special items, the prior year.
- Net income was \$467 million.
- Results were the best in a decade.

US Airways¹⁵

US Airways accounts for the third largest share of enplanements at BHM (9.2 percent in FY 2010). US Airways is based in Tempe, AZ and is the fifth largest airline in the United States as measured by revenue passenger miles and available seat miles. US Airways Express, which operates at BHM, is a network of eight regional airlines operating under code share service agreements with US Airways.

In 2009, excluding special items, US Airways reported a net loss of \$205 million compared to a net loss of \$2.2 billion in 2008. According to the airline, weak demand caused by the economic recession resulted in a 16.3 percent decrease in passenger revenues. The company instituted new revenue initiatives in 2009 that generated \$424 million in ancillary revenue. Ancillary revenues include first and second checked bag service fees, processing fees for travel awards issued

¹³ This discussion in this subsection is based on information contained in Delta Air Lines' press releases posted at www.news.delta.com.

¹⁴ On May 31, 2007, Northwest Airlines emerged from Chapter 11 bankruptcy protection, which it had filed for in September 2005.

¹⁵ This discussion in this subsection is based on information contained in US Airways' press releases and annual reports posted at www.usairways.com.

through their Dividend Miles frequent traveler program, the new Choice Seats program, and call center/airport ticketing fees.

In the second quarter of 2010, US Airways reported a net profit of \$265 million, excluding special items. Comparably, in the second quarter 2009 the airline reported a net loss, excluding special items, of \$95 million. This was the airline's second highest quarterly profit since its 2005 merger with America West. US Airways Group, Inc. Chairman and CEO Doug Parker stated, "We are encouraged by the economic recovery we have seen thus far, and are extremely pleased with our team's results. Looking forward, and based on current business and economic conditions, we expect to report a profit for the third quarter and full year 2010."

United Airlines and Continental Airlines

On October 1, 2010, United Airlines (United) announced that it had completed its acquisition of Continental Airlines (Continental), creating the world's largest airline measured in terms of revenue passenger miles. In FY 2010, United and Continental had 5.1 percent and 6.2 percent, respectively, of the total enplanements at BHM. United and Continental are expected to operate separately for at least a year while they work to obtain a single operating certificate from the FAA. It is not yet known what impact the merger will have on the two airlines' operations at BHM.

For the third quarter of 2010 United reported a net income of \$473 million, a year-over-year improvement of \$533 million. United's consolidated passenger revenue increased 21.4 percent in the third quarter of 2010, compared to the same period in 2009. Continental reported net income of \$367 million for the third quarter of 2010, a year-over-year improvement of \$365 million. Continental's consolidated passenger revenue increased 20.6 percent in the third quarter of 2010, compared to the same period in 2009. UAL and Continental together lost nearly \$7 billion in 2008 and 2009 due to high fuel costs and the recession. Both airlines returned to profitability by the second quarter of 2010, as additional fees and higher fares resulted in increased revenue.

5. National Security and Threat of Terrorism

Terrorism remains a significant risk to achieving forecast aviation demand, as stated by the FAA. The government has implemented tighter security measures with the creation of the Department of Homeland Security. The potential, however, remains for terrorists to disrupt economic and social activities, including air travel. The U.S. Department of Homeland Security periodically issues updates of their assessment of intelligence regarding potential threats against the United States, including threats that may target the national aviation system. The U.S. involvement in Iraq, Afghanistan and other international coalition efforts aimed at dismantling terrorist networks worldwide will continue to have

implications for domestic security. Travel restrictions imposed pursuant to increased airport security may have a dampening effect on travel demand, especially to short-haul destinations.

6. Presence of Other Airports in the BHM Service Area

BHM is the major commercial airport in Alabama. As discussed in **Section III** of this Report, the Airport's air service area covers the Birmingham-Hoover MSA. **Table IV-19** shows the three of the other airports near the BHM air service area: Hartsfield-Jackson Atlanta International Airport (149 miles east of BHM), Montgomery Regional Airport (103 miles south of BHM) and Huntsville International Airport (96 miles north of BHM).

TABLE IV-19
BIRMINGHAM-SHUTTLESWORTH INTERNATIONAL AIRPORT
COMPARISON OF AIR SERVICE AT BHM AND NEARBY AIRPORTS

Airport	Road Distance from BHM ¹	Enplanements 2009 ²	Commercial Aircraft Operations 2009 ²			Avg One-Way Fare, 2009 ³	Avg. Yield, 2009 ³
			Air Carrier	Air Taxi/Commuter	Total		
Birmingham (BHM)	-	1,470,263	30,969	32,192	63,161	\$86.45	\$0.18
Atlanta (ATL)	149 miles	45,107,059	660,802	240,922	901,724	\$79.15	\$0.18
Montgomery (MGM)	103 miles	169,197	1,764	9,335	11,099	\$128.51	\$0.25
Huntsville (HSV)	96 miles	586,321	10,177	21,904	32,080	\$122.63	\$0.23

¹ Google maps.

² Airport websites for BHM and ATL, FAA for MGM and HSV. FAA data were converted to Calendar Year from Federal Fiscal Year by Unison.

³ U.S. Department of Transportation OD1A Database; including domestic destinations and excluding frequent flyers.

There are other smaller airports nearby that provide limited feeder service to Atlanta and Memphis – for example, Tupelo Regional Airport, Meridian Regional Airport, and Golden Triangle Regional Airport in Eastern Mississippi.

D. SUMMARY

Over the past 10 years, U.S. airports and airlines faced a number of challenges that affected aviation traffic. The activity trends at BHM show that the Airport has been affected to a greater degree than the industry as a whole. The highlights of the historical and forecast trends in aviation activity at the Airport are as follows:

- Total enplanements at the Airport decreased from approximately 1.57 million in FY 2001 to 1.45 million in FY 2010 at an average annual rate of -0.9 percent. Enplanements for the entire United States increased at an average rate of 1.2 percent per year during the same time period.

Consequently BHM's share of U.S. total system revenue enplanements decreased from 0.23 percent in FY 2001 to 0.19 percent in FY 2010.

- The Airport experienced year-over-year losses in enplanements during three consecutive quarters from fourth quarter FY 2006 through second quarter FY 2007 due, in part, to capacity adjustments by Southwest and Delta, the top two airlines at BHM by enplanement share. Again in FY 2009 and 2010, the Airport experienced declines in enplanement level due largely to weak air travel demand during the recent U.S. economic recession. The declines were significant especially in FY 2009 when the economy was falling into deep recession, and then became smaller in FY 2010 as the U.S. economy took a turn toward recovery beginning in first quarter FY 2010.
- Southwest holds the largest share of annual total enplanements at the Airport, which increased from 35.5 percent in FY 2006 to 45.2 percent in FY 2010. Data for the first quarter of FY 2011 show a small decline in Southwest's share to 44.3 percent. Southwest announced on September 27 that it had entered into a definitive agreement to acquire all of the outstanding common stock of AirTran Holdings, Inc., the parent company of AirTran Airways. The implications of this announcement on BHM are still unknown as of the date of this study. AirTran currently does not operate at BHM.
- With Southwest as the largest passenger service provider at BHM, most of the passenger traffic at BHM is carried on mainline service. However, the December 2007-June 2009 economic recession ushered in another round of significant capacity adjustments resulting in an increase in the use of regional/commuter carriers at BHM. Mainline enplanements decreased in number by -4.8 percent per year, on average, between FY 2006 and FY 2010, and decreased in share from 71.5 percent to 62.9 of Airport total. In contrast, regional enplanements increased in number by 4.5 percent per year, on average, between FY 2006 and FY 2010, and increased in share from 28.9 percent to 37.1 percent of Airport total. Data during the first three months for FY 2011 show a slight decrease in mainline share of Airport total enplanements to 62.3 percent and a corresponding increase in regional share to 37.7 percent.
- Delta, together with regional affiliates, holds the second largest share of annual total enplanements, which decreased from 28.1 percent in FY 2006 to 20.7 percent in FY 2010. Delta acquired Northwest in 2008 and completed the integration of the two airlines' operations in January 2010. The integrated operations of Delta, Northwest and regional affiliates accounted for 27.5 percent of total BHM enplanements during the first quarter of FY 2011.

- By all measures, air service from the Airport increased between FY 2006 and FY 2008 and decreased between FY 2008 and FY 2010. Between FY 2006 and 2010, the total number of nonstop airport destinations remained flat, scheduled departures decreased, and scheduled seats increased.
- Total commercial aircraft landings and landed weight at the Airport from FY 2008 through 2010 decreased -12.7 percent and -16.5 percent per year, respectively, on average. The larger percentage decrease in landed weight reflects the increase in the use of regional aircraft at BHM.
- Forecasts of annual commercial aviation activity at the Airport for FY 2011-FY 2017, were developed with a hybrid approach that utilizes published airline schedules to forecast activity for FY 2011 and an econometric model that links long-term traffic growth trends to projected trends in key demand drivers during the remainder of the forecast period.
- Different assumptions regarding the pace of economic recovery in the United States produced three forecast scenarios. The high scenario is based, among other factors, on an independent forecast of moderate economic recovery, while the base and low scenarios assume a sluggish economic recovery. In addition to a slower economic recovery, the low scenario assumes a loss of 25 percent of the enplanement share of Southwest Airlines, the Airport's largest carrier. The low scenario simulates a potential adverse impact on BHM in the case of a service consolidation by Southwest at the other nearby commercial service airports – Hartsfield-Jackson Atlanta and Huntsville International Airports – currently served by AirTran, should the merger of the two airlines take place.

Forecasts are provided for enplanements, departures and landed weight for the fiscal years 2011 through 2017. Results provide positive average enplanement growth for the period under all three scenarios – ranging from 0.8 to 4.2 percent. The low scenario results in a -0.2 percent per year average decline in landed weight while the high scenario results in an average +3.2 percent per year increase in landed weight for the period.

SECTION V AIRLINE RATES AND CHARGES

Prior to December 31, 2005, the airlines operating at BHM did so under a long-term Airport Use and Lease Agreement (the Airline Agreement). From January 1, 2006 through February 28, 2009, the airlines operated without an agreement in place. During that time, the airlines were charged Landing Fees and Terminal Rentals based on the rate methodology specified in the expired Airline Agreement. Effective March 1, 2009, the Authority implemented a new airline rates and charges methodology. As of the date of this Report, the airlines are paying the Terminal Rental rate and Landing Fee rate established on March 1, 2009, based on estimated amounts at that time, with no subsequent adjustments for updated financial information. The airlines are currently paying a Terminal Rental rate of \$55.24 per square foot and a Landing Fee rate of \$2.92 per thousand pounds of aircraft landed weight. The financial projections presented in **Section VI** assume that the rate methodology implemented effective March 1, 2009 will continue in effect throughout the forecast period. It is further assumed that effective January 1, 2011, the Authority will implement a revised Terminal Rental rate and a revised Landing Fee rate based on estimated FY 2011 financial information, and that the rates and charges will be revised at the beginning of each Fiscal Year thereafter based on updated financial information.

The Authority is in the process of negotiating a new airline agreement. Changes in the rate methodology, if any, are not known at this time. Therefore, this Report only makes reference to potential changes to the rate methodology that could be incorporated into a new airline agreement.

In the Authority's accounting reporting system, Current Expenses are classified by the following major types of expenditures:

- Personnel Costs
- Materials and Supplies
- Repairs and Maintenance
- Security
- Utilities
- Professional Services
- Other Expenses

For purposes of the airline rates and charges calculations, Current Expenses are then allocated to the following cost centers:

- Main Terminal Building
- Airfield
- Flight Service Station
- Terminal Building A
- Cargo Building

- Parking Deck
- Vehicle Maintenance Building
- Other Areas

The airlines are charged for costs allocated to the Main Terminal Building, Airfield, and Flight Service Station cost centers. Ninety-two percent of the total Current Expenses allocated to the Airfield and the Flight Service Station cost centers are used in the landing fee calculation, with the remaining eight percent being used in the calculation of the Apron Fee. The costs allocated to the Terminal Building A cost center are not charged to the airlines because it is no longer occupied by the airlines.

Certain Current Expenses are directly attributable to the cost centers, such as Security expenses, most of the Utilities expenses, a portion of Materials and Supplies, and a portion of Repairs and Maintenance. The remaining Current Expenses are allocated to the cost centers based on formulas established in a cost allocation study conducted for the Authority.

The rate methodology specified in the (now expired) Airline Agreement provided for the following airline rates and charges calculations:

- The Landing Fee rate was calculated as (1) the total costs allocated to the Airfield cost center (Current Expenses,¹⁶ revenue bond debt service, amortization charges, and a 25 percent coverage transfer), reduced by credits for nonsignatory landing fees, fuel flowage fees, and 50 percent of all non-airfield net revenues, divided by (2) signatory airline landed weight.
- The Terminal Rental rate was calculated as (1) the total costs allocated to the Main Terminal Building cost center (Current Expenses, revenue bond debt service, and amortization charges) divided by (2) total usable space (in square feet).
- Apron Rent was charged based on a rental rate calculated as the Current Expenses attributable to the Apron, divided by the number of square feet of aircraft apron.
- The Authority began charging Remain Over Night (RON) fees in FY 2008, assessed at \$85.00 per gate per night.

Effective March 1, 2009, the Authority changed its rate setting methodology to the following:

¹⁶ The Indenture defines "Current Expenses" as the expenses for the operation, maintenance and repair of the Airport as determined in accordance with generally accepted accounting principles, excluding depreciation expense and certain other items, as explained more fully in Section VI.

- The Landing Fee rate is calculated as (1) the total costs allocated to the Airfield cost center (Current Expenses, revenue bond debt service, and amortization charges), reduced by credits for fuel flowage fees, FBO concession fees, and Ground Handling revenues, divided by (2) total aircraft landed weight (including air cargo carriers).
- The Terminal Rental rate is calculated as (1) the total costs allocated to the Main Terminal Building cost center (Current Expenses, revenue bond debt service, and amortization charges), reduced by credits for 25 percent of Concession Fee revenues received from the rental car companies and the concessionaires in the terminal (food and beverage; news and gifts; advertising; taxi fees, vending machines, ATMs, and miscellaneous); divided by (2) total rentable space (airline and non-airline).
- Apron Rent is charged based on a rental rate calculated as the Current Expenses attributable to the Apron, divided by the number of square feet of aircraft apron.
- RON fees are assessed at \$85.00 per gate per night.

The financial analysis in the attached Report assumes that throughout the forecast period, the Authority will continue to charge the airlines based on the rate methodology currently in effect as of the date of this Report.

SECTION VI FINANCIAL ANALYSIS

This section reviews the framework for the financial operation of the Authority, including key provisions of Indenture. This section also (1) reviews the recent historical financial performance of the Authority, and examines the ability of the Authority to generate sufficient Net Revenues (as defined in the Indenture and explained later in this Section) in each Fiscal Year of the forecast period to meet the obligations of the Indenture, and (2) discusses the information and assumptions underlying the financial forecasts, which include Revenues, Current Expenses, debt service requirements, debt service coverage, the PFC Fund balance, and airline cost per enplanement. The financial analysis presented in this section reflects the base air traffic forecast scenario presented in **Section IV**. At the end of this section, the projections of key financial factors are also shown under the low air traffic forecast scenario.

A. FINANCIAL FRAMEWORK

The Series 2010 Bonds are being issued pursuant to a Trust Indenture, dated as of June 1, 1990, as supplemented by a First Supplemental Indenture dated as of September 15, 1993, a Second Supplemental Indenture dated October 1, 1996, a Third Supplemental Indenture dated January 1, 1999, a Fourth Supplemental Indenture dated October 1, 2003, a Fifth Supplemental Indenture dated October 1, 2003, a Sixth Supplemental Indenture dated as of July 11, 2007, and a Seventh Supplemental Indenture dated as of December 1, 2010 (the Indenture), by and between the Authority and First Commercial Bank (the Trustee). The Series 2010 Bonds are special obligations of the Authority, secured by a pledge of the Authority's Net Revenues (as defined in the Indenture), and certain limited funds and accounts held by the Trustee. Except as noted otherwise, all capitalized terms in this letter and the attached Report shall have the meanings set forth in the Indenture.

Under the Indenture, the Authority has covenanted to fix, charge, and collect rates, fees, rentals, and charges in each Fiscal Year which will:

1. Generate Revenues at least equal to the sum of the Current Expenses due in the Fiscal Year and the amounts required to be deposited into the Bond Fund, the Reserve Fund, and the Subordinate Debt Fund in such Fiscal Year;
2. Generate Net Revenues at least equal to 125 percent of the aggregate amount required to be deposited into the Bond Fund during such Fiscal year under the provisions of the Indenture; and

3. Generate sufficient cash to pay Current Expenses due in such Fiscal Year and to make the deposits required to be made into the Bond Fund in such Fiscal Year.

The Indenture contains an additional bonds test, which requires that the Authority meet the requirements of the rate covenant, which can be satisfied by an accountant's certificate that shows the applicable coverage calculation on a historical basis and by a certificate prepared by an airport consultant on a projected basis. The historical coverage calculation must be for the most recently completed fiscal year for which audited financial statements are available. If the bonds are being issued to fund capital improvements, the projected coverage calculation must cover the period from the first full fiscal year following the issuance of the proposed bonds through the later of:

(1) the earlier to conclude of:

(a) the third full fiscal year after the date in which the capital improvements will be completed and placed in service; or

(b) the third full fiscal year after the end of the capitalized interest period on the bonds;

or (2) the fifth full fiscal year after the date of issuance of the bonds.

Figure V-1 illustrates the application and priority in the uses of Revenues

1. The Authority Accounting and Financial Report

The accounting policies of the Authority conform to accounting principles generally accepted in the United States. The Authority's financial activities are reported using the flow of economic resources measurement focus and the accrual basis of accounting, which means that all assets, liabilities, net assets, revenues, and expenses are accounted for through a single enterprise fund with revenues recorded when earned and expenses recorded at the time liabilities are incurred. The Independent Auditor's Report for the Authority's most recent audited financial statements (for the years ended June 30, 2009 and 2008) states that, in the opinion of the independent auditors, the Authority's financial statements present fairly, in all material respects, the financial position of the Authority as of June 30, 2009 and 2008, and the results of its operations and its cash flows in conformity with accounting principles generally accepted in the United States. Financial information is presented based on the Authority's fiscal

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year beginning July 1 of each calendar year and ending on June 30 of the succeeding calendar year.

The Authority's FY 2010 audited financial statements show that as of June 30, 2010, the Authority had total assets of approximately \$421.6 million, total liabilities of \$73.2 million, and total equity of \$348.4 million.

Table V-1 summarizes the Authority's Operating Income for FY 2006 through FY 2010 presented in the audited financial statements, the Net Revenues presented

TABLE VI-1
BIRMINGHAM AIRPORT AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES AND EXPENSES
AND NET REVENUES PER THE TRUST INDENTURE
For Fiscal Years Ended June 30

Category	Audited				
	2006	2007	2008	2009	2010
Statement of Revenues and Expenses					
Operating Revenues	\$30,325,497	\$28,555,620	\$34,567,601	\$34,524,000	\$34,991,886
Operating Expenses	(26,530,799)	(28,229,087)	(32,099,391)	(34,470,538)	(32,602,087)
Operating Income	\$3,794,698	\$326,533	\$2,468,210	\$53,462	\$2,389,799
Net Revenues (per Trust Indenture)					
Revenues	\$32,677,000	\$31,179,000	\$37,025,000	\$36,548,000	\$36,964,622
Current Expenses	(18,707,616)	(19,835,322)	(23,804,577)	(22,925,265)	(21,188,944)
Net Revenue per Trust Indenture	\$13,969,384	\$11,343,678	\$13,220,423	\$13,622,735	\$15,775,678
Reconciliation					
Operating Income per Statement of Revenues and Expenses	\$3,794,698	\$326,533	\$2,468,210	\$53,462	\$2,389,799
Add: Interest Income ¹	606,503	815,379	623,399	309,000	195,771
Add: Transfers from CIF to Revenue Fund ²	1,745,000	1,808,000	1,834,000	1,715,000	1,776,967
Add Back:					
Depreciation Expense ³	7,823,183	8,393,765	8,294,814	11,545,273	11,413,143
Net Revenues per Trust Indenture	\$13,969,384	\$11,343,677	\$13,220,423	\$13,622,735	\$15,775,680

¹ Interest income (excluding interest earned on unspent PFCs) is included in the definition of Revenues in the Trust Indenture, but is included in Non-operating Revenue on the Statement of Revenues and Expenses.

² The definition of Revenues in the Trust Indenture includes amounts transferred from the Capital Improvement Fund (CIF) to the Revenue Fund.

³ Depreciation expense is included in Operating Expenses on the Statement of Revenues and Expenses, but is excluded from the definition of Current Expenses in the Trust Indenture.

in this Report, and a reconciliation between the two presentations. The Net Revenues presented in this Report are calculated pursuant to the definitions of Revenues, Current Expenses, and Net Revenues included in the Indenture. The reconciling items consist of: (1) Interest Income (net of interest earned on unspent PFCs), which is included in the definition of Revenues in the Indenture,

but is included in Non-operating Revenue on the Statement of Revenues and Expenses; (2) Amounts transferred from the Capital Improvement Fund (CIF) to the Revenue Fund, which are included in the definition of Revenues in the Indenture, but are not included in Operating Revenues presented on the Statement of Revenues and Expenses; and (3) Depreciation expense, which is included in Operating Expenses on the Statement of Revenues and Expenses, but is excluded from the definition of Current Expenses in the Indenture.

2. Airline Rates and Charges

Prior to December 31, 2005, the airlines operating at BHM did so under a long-term Airport Use and Lease Agreement (the Airline Agreement). The rate methodology specified in the Airline Agreement provided for a credit to the airline's landing fee requirement with 50 percent of all non-airfield net revenues. From January 1, 2006 through February 28, 2009, the airlines operated without an agreement in place. During that period, the airlines were charged rental rates and landing fees based on the rate methodology specified in the expired Airline Agreement. Effective March 1, 2009, the Authority changed its rate setting methodology, as described in **Section V**. The Terminal Rental rate and Landing Fee rate have not been revised since March 1, 2009. The financial projections presented in this section assume that airline rates and charges will continue to be assessed by the Authority based on the methodology established effective March 1, 2009. The projections also assume that effective January 1, 2011, the Authority will adjust the airline rates and charges based on current financial information, so that the airlines will pay the current rates through December 31, 2010, and will begin paying revised rates effective January 1, 2011. It is further assumed that beginning with FY 2012 the airline rates and charges will be recalculated each Fiscal Year throughout the remainder of the forecast period.

B. CURRENT EXPENSES

The Indenture defines "Current Expenses" as the expenses for the operation, maintenance and repair of the Airport as determined in accordance with generally accepted accounting principles, excluding (1) any reserves for extraordinary replacements or repairs; (2) any allowance for depreciation or amortization; (3) any interest; (4) any payments related to the Airport Lease; (5) any principal payment on capital leases or indebtedness; and (6) any deposits to any fund created under the Indenture. **Table VI-2** presents historical Current Expenses for the period FY 2006 through FY 2010. Total Current Expenses increased from approximately \$18.7 million in FY 2006 to approximately \$21.2 million in FY 2010, representing an average annual increase of 3.2 percent during the historical period.

The projections of Current Expenses, as presented on **Table VI-3**, are based on historical trends and anticipated future trends, including the effects of the increased size of the Main Terminal Building upon completion of the TMP. The

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projections include an increase in Utilities, Repairs and Maintenance, Materials and Supplies, and Insurance expenses in FY 2014 corresponding to the space added with the completion of the TMP. Total Current Expenses are projected to increase at an average annual rate of 6.5 percent during the forecast period, to approximately \$33.4 million in FY 2017. The historical and projected changes in the various categories of Current Expenses are discussed below.

TABLE VI-2
BIRMINGHAM AIRPORT AUTHORITY
HISTORICAL CURRENT EXPENSES
Fiscal Years Ended June 30

	Audited					Avg. Annual Growth Rate
	2006	2007	2008	2009	2010	
By Category						
Personnel	\$8,080,379	\$8,212,033	\$10,351,557	\$9,523,862	\$9,355,895	3.7%
Security	3,183,228	3,182,095	3,470,520	3,963,366	3,892,603	5.2%
Utilities	1,657,615	1,740,600	2,087,010	2,555,068	2,364,963	9.3%
Repairs and Maintenance	1,597,001	2,497,777	2,575,588	2,194,177	1,358,539	-4.0%
Materials and Supplies	1,164,465	848,149	1,209,129	949,569	1,203,039	0.8%
Professional Services	1,341,113	1,609,225	1,753,938	1,249,083	843,255	-11.0%
Other Expenses	1,683,815	1,745,443	2,356,835	2,490,140	2,170,650	6.6%
Total	\$18,707,616	\$19,835,322	\$23,804,577	\$22,925,265	\$21,188,944	3.2%
By Cost Center						
Main Terminal Building	\$6,610,644	\$6,881,480	\$7,618,600	\$8,555,456	\$7,875,285	4.5%
Airfield	5,467,738	5,483,801	6,635,691	6,885,821	6,952,373	6.2%
Apron	475,456	476,852	577,017	598,767	604,554	6.2%
Terminal A	420,443	435,840	368,708	267,314	265,850	-10.8%
Cargo Building	369,208	764,919	852,305	623,495	588,525	12.4%
Parking Deck	4,588,423	4,996,808	6,309,866	4,545,030	3,461,302	-6.8%
Vehicle Maintenance Bldg.	14,021	15,208	178,401	192,523	192,651	92.5%
Other Areas	761,683	780,414	1,263,989	1,256,859	1,248,404	13.1%
Total	\$18,707,616	\$19,835,322	\$23,804,577	\$22,925,265	\$21,188,944	3.2%

Source: Authority records.

1. Personnel Expenses

Personnel expenses constitute the largest category of Current Expenses, representing 44.2 percent of Current Expenses, or \$9.4 million, in FY 2010. This category includes regular salaries, employee benefits, and payments for temporary workers. Total Personnel expenses increased over \$2.1 million, or 26.1 percent, in FY 2008, mainly due to a one-time payment of \$1.2 million into a deferred compensation plan, and an \$800,000 increase in labor expenses for the parking garage. Parking garage staffing was streamlined in FY 2009 and FY 2010, which resulted in significant decreases in expenses for temporary workers associated with the garage. Total Personnel expenses decreased 8.0 percent and 1.8 percent in FY 2009 and FY 2010, respectively. After increasing from

TABLE VI-3
BIRMINGHAM AIRPORT AUTHORITY
PROJECTED CURRENT EXPENSES ¹
For Fiscal Years Ending June 30

	2011	2012	2013	2014	2015	2016	2017	Avg. Annual Growth Rate
Personnel Costs	\$9,702,063	\$10,067,024	\$10,446,944	\$10,842,501	\$11,254,403	\$11,683,399	\$12,130,271	3.8%
Security	4,091,000	4,283,172	4,484,473	4,695,343	4,916,240	5,147,646	5,390,068	4.7%
Utilities	2,605,000	2,852,780	3,117,837	4,385,938	5,862,767	6,407,488	7,002,820	17.9%
Repairs and Maintenance	1,836,000	2,050,000	2,091,409	2,254,716	2,596,514	2,648,963	2,702,471	6.7%
Materials and Supplies	1,220,000	1,244,644	1,269,785	1,327,969	1,486,910	1,516,945	1,547,587	4.0%
Professional Services	1,184,000	1,200,039	1,216,401	1,233,094	1,250,124	1,267,499	1,285,224	1.4%
Other Expenses	2,240,000	2,380,482	2,534,565	2,781,268	3,124,453	3,093,781	3,318,507	6.8%
Total	\$22,878,063	\$24,078,140	\$25,161,416	\$27,520,828	\$30,491,411	\$31,765,721	\$33,376,948	6.5%
By Cost Center								
Main Terminal Building	\$8,589,619	\$9,313,481	\$9,806,604	\$11,149,277	\$13,092,315	\$13,822,586	\$14,643,590	9.3%
Airfield	7,378,180	7,583,716	7,880,845	8,443,947	8,842,184	9,100,535	9,511,851	4.3%
Apron	641,581	659,454	685,291	734,256	768,886	791,351	827,117	4.3%
Terminal A	284,226	296,036	308,619	325,820	348,685	360,391	377,308	4.8%
Cargo Building	626,895	654,656	684,258	728,855	785,982	818,840	861,548	5.4%
Parking Deck	3,763,137	3,905,736	4,056,100	4,284,973	4,661,164	4,789,847	4,968,364	4.7%
Vehicle Maintenance Bldg.	203,408	210,304	217,514	240,633	270,522	283,297	297,736	6.6%
Other Areas	1,391,017	1,454,757	1,522,184	1,613,067	1,721,673	1,798,874	1,889,434	5.2%
Total O&M	\$22,878,063	\$24,078,140	\$25,161,416	\$27,520,828	\$30,491,410	\$31,765,720	\$33,376,948	6.5%

¹ The projections include anticipated increases in certain expense items due to the completion of the Terminal Modernization Program, which will result in an increase in the size of the Main Terminal Building, effective during FY 2014.

\$8.2 million in FY 2007 to \$10.4 million in FY 2008, total Personnel expenses decreased to \$9.5 million in FY 2009 and \$9.4 million in FY 2010.

Authority management does not anticipate any unusual or significant increases in staffing or wages throughout the forecast period. Therefore, Personnel expenses exclusive of benefits are projected to increase by 3.2 percent in FY 2011 and subsequent years, based on the average annual growth experienced from FY 2006 through FY 2010. Benefits expenses are projected to increase 6.1 percent per year (the average annual growth for FY 2006 through FY 2010), resulting in a projected average annual increase in total Personnel expenses of 3.8 percent during the forecast period. Total Personnel expenses are projected to increase to approximately \$12.1 million in FY 2017.

2. Security

The second largest category of Current Expenses is Security expenses (18.4 percent in FY 2010). Security expenses consist of the costs of Police and Fire protection services provided by the City of Birmingham. Security expenses increased 9.1 percent in FY 2008 and 14.2 percent in FY 2009, from \$3.2 million in FY 2007 to almost \$4.0 million in FY 2009. The increases were a function of increases in the amount of hours billed by the City to the Authority for increased man-hours worked by Police and Fire personnel, salary increases, and increased overtime billings for Police personnel. Security expenses decreased slightly, to \$3.9 million, in FY 2010.

Security expenses are budgeted to increase 5.1 percent in FY 2011, based on the average annual increase in recent years. Future increases in Police services are projected at 5.2 percent per year, to reflect the anticipated annual 4.2 percent salary adjustments, plus a factor for increased overtime. Future increases in Fire services are projected at 4.2 percent per year, to reflect the anticipated annual salary adjustments. Total Security expenses are projected to increase to approximately \$5.4 million in FY 2017.

3. Utilities

Utilities expenses (11.2 percent of total FY 2010 Current Expenses) consist of expenditures for Natural Gas, Electricity, Telephone, and Water. Utilities expenses increased in FY 2007, FY 2008, and FY 2009 (5.0 percent, 19.9 percent, and 22.4 percent, respectively) before decreasing 7.4 percent in FY 2010. Much of the increases in FY 2008 and FY 2009 were due to significant increases in the Natural Gas expenses, caused by increased heating needs and rate increases. The Authority also experienced a significant increase in Water expenses in FY 2009, followed by a large decrease in FY 2010 (the main factor in the overall decrease in Utilities expense in FY 2010), mainly due to variations in the timing of the meter readings and associated invoices from the Water utility. The decrease in Water expenses in FY 2010 were partially offset by increases in

Telephone expenses, due to a one-time upgrade of the Authority's high-speed Internet access.

Utilities expenses are budgeted to increase 10.1 percent in FY 2011, to approximately \$2.6 million, mainly due to anticipated increases in Water expenses (again, reflecting the timing of meter readings and associated invoices) and Electricity expenses. For the period FY 2012 through FY 2017, the components of Utilities expenses (Natural Gas, Electricity, Telephone, and Water) are projected to increase at the average annual growth rates experienced for each component during the FY 2006 through FY 2010 period, plus an additional one-time increase in FY 2014 corresponding to the additional square footage anticipated to result from the TMP. Utilities expenses are projected to increase to approximately \$7.0 million in FY 2017.

4. Repairs and Maintenance

Repairs and Maintenance expenses increased from approximately \$1.6 million in FY 2006 to almost \$2.5 million in FY 2007 and \$2.6 million in FY 2008 before decreasing to \$2.2 million in FY 2009 and \$1.4 million in FY 2010. This line item has fluctuated in accordance with varying annual repair and maintenance needs. The Authority has budgeted approximately \$1.8 million for Repairs and Maintenance expenses in FY 2011, based on anticipated projects. The projected baseline level for this expense category is approximately \$2.1 million, the average level expended by the Authority during the period of FY 2006 through FY 2010. Repairs and Maintenance expenses are projected to increase annually with inflation (2.0 percent per year¹⁷) during the remainder of the forecast period, with an additional increase in FY 2014 as a result of the additional space to be added through the TMP. This line item is projected to increase to approximately \$2.7 million in FY 2017.

5. Materials and Supplies

During the period FY 2006 through FY 2010, Materials and Supplies expenses fluctuated between approximately \$0.9 million and \$1.2 million, due to variations in the department's needs during that period. This category is budgeted at approximately \$1.2 million for FY 2011. It is anticipated that Materials and Supplies expenses will continue at the higher historical level of approximately \$1.2 million, with a one-time increase in FY 2014 corresponding to the increase in square footage due to the TMP. To reflect inflationary price increases, an average annual growth of 2.0 percent is also included in the projections, resulting in a total of approximately \$1.5 million in FY 2017.

¹⁷ Projected increases in the CPI, expressed as an average annual rate for FY 2012 through FY 2017, based on assumptions prepared by the U.S. Office of Management and Budget, and presented in the *FY 2011 Mid-Session Review Budget of the U.S. Government*, July 23, 2010.

6. Professional Services

Professional Services include audit fees, attorney fees, and consulting fees. This expense category increased from \$1.3 million in FY 2006 to \$1.6 million in FY 2007 and \$1.8 million in FY 2008, mainly due to increases in payments to outside consultants for a major Information Technology (IT) initiative implemented by the Authority. Professional Services expenses decreased to \$1.2 million in FY 2009 and \$0.8 million in FY 2010, mainly due to the Authority's efforts to rely less on outside consultants by having more of the IT and other work performed by Authority staff members.

For FY 2011, the Authority conservatively budgeted Professional Services expenses at approximately \$1.2 million. Due to the significant increases in audit fees and attorney fees included in the FY 2011 budget, those components are projected to remain constant during the remainder of the forecast period. Consulting fees, the other major component of this category, are projected to increase with inflation (2.0 percent per year), resulting in a 1.4 percent average annual increase in total Professional Services during the forecast period. Total Professional Services are projected to increase to approximately \$1.3 million in FY 2017.

7. Other

The largest components of the "Other" expenses category are Insurance expenses, Public Relations expenses, and Credit Card Fees (for the processing of public parking transactions paid with credit cards) – which together accounted for 70.0 percent of Other expenses in FY 2010. This category also includes numerous smaller categories of expenses, such as taxi starter service, equipment rental, travel, dues and subscriptions, printing and publishing, bad debt expense, legal advertising, instruction and training, freight charges, postage, and damage cases. Total Other expenses increased from \$1.7 million in FY 2006 to \$1.8 million in FY 2007, \$2.4 million in FY 2008, and \$2.5 million in FY 2009. Most of the annual increases were due to increases in Public Relations expenses for increased advertising, and increases in Credit Card Fees corresponding to the increased parking revenues.

The Authority's FY 2011 budgeted amounts for the components of Other expenses total approximately \$2.2 million. For FY 2012 and subsequent years, the three largest line items in this category are projected to increase as follows: Insurance – 2.0% per year for inflation, plus an additional increase in FY 2014 to reflect the anticipated effect of the increased size of the Terminal after completion of the TMP; Public Relations – 11.1 percent per year, the average annual increase incurred during FY 2006 through FY 2010; and Credit Card fees – commensurate with the projected increases in Parking revenue from credit cards. All other line items in this category are projected to either increase at the assumed rate of inflation (2.0 percent), or (for those items that decreased during

the historical period) remain flat during the forecast period. Total Other expenses are projected to increase to \$3.3 million in FY 2017.

C. DEBT SERVICE AND AMORTIZATION CHARGES

As discussed in Section II, the Authority's CIP costs are expected to be funded with the proceeds of the Series 2010 Bonds, PFCs, AIP grants, TSA funds, VALE funds, and Authority funds. The financial analysis presented in this section reflects the capital program funding plan presented in **Section II**.

On November 29, 2010, the Authority executed a construction contract, pursuant to which the construction firm is obligated to manage and construct the TMP under a guaranteed maximum price. The Authority has also set aside contingency funds within the estimated TMP price of \$201.649 million. The Authority anticipates that the total cost of the TMP will not exceed \$201.649 million. If, for any reason, the Authority becomes aware of any factors that would cause the total cost of the TMP to exceed \$201.649, the Authority will look to revise the scope of the project and/or fund any cost overrun with other funds, such as amounts on deposit in the CIF, or any other equity resources the Authority may have at its disposal at the time. The Authority does not expect to have to issue additional bonds for costs related to the TMP.

The sources and uses of bond funds for the Series 2010 Bonds are summarized on **Table VI-4**. The Authority plans to issue approximately \$151.705 million in Series 2010 Bonds, of which an estimated \$125.114 will be deposited into the Project Construction Fund. The remainder of the bond proceeds will be used to fund capitalized interest, provide a Debt Service Reserve Fund, pay a bond insurance premium, and pay the costs of issuance and the Underwriter's discount.

The debt service requirements during the forecast period, including the Series 2010 Bonds, are summarized on **Table VI-5**. The Authority currently has the following bond issues outstanding:

- Series 2003A Bonds
- Series 2003B Bonds
- Series 2007 Bonds

Annual debt service on the currently outstanding bonds is projected to remain constant at approximately \$7.2 million through FY 2016, and increase slightly, to \$7.3 million in FY 2017.

TABLE VI-4
BIRMINGHAM AIRPORT AUTHORITY
SOURCES AND USES OF SERIES 2010 BOND FUNDS

Sources and Uses	Amount
Sources	
Par Amount	\$151,705,000
Premium	-
Total Sources	\$151,705,000
Uses	
Deposit to Project Construction Fund	\$125,114,283
Deposit to Capitalized Interest Fund	10,704,988
Deposit to Debt Service Reserve Fund	10,448,059
Gross Bond Insurance Premium	1,606,279
Costs of Issuance	1,074,331
Underwriter's Discount and Original Issue Discount	2,757,060
Total Uses	\$151,705,000

Source: Morgan Keegan.

**TABLE VI-5
 BIRMINGHAM AIRPORT AUTHORITY
 PROJECTED DEBT SERVICE
 For Fiscal Years Ending June 30**

Series	Actual 2010	Projected						
		2011	2012	2013	2014	2015	2016	2017
Currently Outstanding Bonds								
Series 2003A Bonds	\$749,305	\$846,125	\$846,125	\$846,125	\$2,001,125	\$3,033,588	\$3,054,588	\$3,091,188
Series 2003B Bonds	2,154,338	2,159,838	2,154,150	2,166,150	1,002,000	0	0	0
Series 2007 Bonds	4,204,225	4,196,725	4,204,225	4,195,725	4,201,725	4,201,225	4,194,225	4,205,725
Subtotal	7,107,868	7,202,688	7,204,500	7,208,000	7,204,850	7,234,813	7,248,813	7,296,913
Series 2010 Bonds ¹	0	2,812,638	5,600,025	5,598,725	7,491,055	9,204,088	9,205,888	9,205,488
Total Debt Service	\$7,107,868	\$10,015,326	\$12,804,525	\$12,806,725	\$14,695,905	\$16,438,901	\$16,454,701	\$16,502,401
PFCs Irrevocably Committed ²	0	(2,499,823)	(5,004,187)	(5,002,887)	(5,000,537)	(4,999,337)	(5,001,137)	(5,000,737)
Debt Service net of PFCs	\$7,107,868	\$7,515,503	\$7,800,338	\$7,803,838	\$9,695,368	\$11,439,564	\$11,453,564	\$11,501,664

¹ Source: Morgan Keegan. Debt service is shown net of capitalized interest.

² The Authority has irrevocably committed certain PFCs to the payment of debt service on the Series 2010 Bonds.

Annual debt service is projected to increase with the issuance of the Series 2010 Bonds. The annual debt service requirements for the Series 2010 Bonds, as estimated by Morgan Keegan, are based on assumed net interest cost of approximately 6.47 percent for the Series 2010 Bonds. It is anticipated that interest through the first half of FY 2014 will be funded from bond proceeds. Annual debt service for the Series 2010 Bonds, net of capitalized interest, is projected to increase from approximately \$2.8 million in FY 2011 to \$5.6 million in FY 2012 and FY 2013, \$7.5 million in FY 2014, and \$9.2 million in FY 2015 through FY 2017. Total annual debt service on all revenue bonds is projected to increase from \$12.8 million in FY 2013 to \$14.7 million in FY 2014, \$16.4 million in FY 2015, and \$16.5 million in FY 2016 and FY 2017, due to the debt service on the Series 2010 Bonds.

Under the terms of the Seventh Supplemental Indenture, the Authority has irrevocably committed a portion of its PFC revenues to be applied to a portion of the debt service on the Series 2010 Bonds. The current financial plan assumes that approximately \$142.5 million in PFC revenues will be applied to debt service on the Series 2010 Bonds. Total annual debt service net of capitalized interest and net of PFCs anticipated to be applied to debt service is projected to increase from \$7.5 million in FY 2011 to \$7.8 million in FY 2012 and FY 2013, \$9.7 million in FY 2014, \$11.4 million in FY 2015, and \$11.5 million in FY 2016, and FY 2017.

D. REVENUES

The Indenture defines “Revenues” as all revenues received by the Authority with respect to the Airport. The definition includes amounts transferred by the Authority from the Capital Improvement Fund to the Revenue Fund. Among the exclusions from the definition of Revenues are “any taxes, fees, charges or impositions, the proceeds of which are limited by authorizing law to the construction of capital improvements at the Airport Facilities...” Therefore, the financial analysis in this section excludes PFCs from Revenues. [The Authority has covenanted that all Revenues will be deposited into the Revenue Account within the Revenue Fund to be pledged as security for the Series 2010 Bonds and any additional bonds issued pursuant to the Indenture¹⁸.

Table VI-6 presents the historical Revenues for the period FY 2006 through FY 2010, and **Table VI-7** presents projected Revenues through FY 2017. Revenues increased from \$32.7 million in FY 2006 to \$37.0 million in FY 2010, due to the factors described below. Revenues are projected to increase from approximately \$38.3 million in FY 2011 to approximately \$53.2 million in FY 2017, based on the projections of the various revenue categories, as described below.

¹⁸ The definition of Revenues includes amounts transferred from the CIF to the Revenue Fund, as explained later in this Section.

BIRMINGHAM AIRPORT AUTHORITY
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TABLE VI-6
BIRMINGHAM AIRPORT AUTHORITY
HISTORICAL REVENUES
For Fiscal Years Ended June 30

	Audited					Avg. Annual Growth
	2006	2007	2008	2009	2010	
Airline Revenue						
Landing Fees ¹	4,721,468	2,550,969	5,984,979	6,488,079	6,148,288	6.8%
Airline Terminal Rents ²	3,235,037	3,202,163	3,242,960	3,475,702	3,855,832	4.5%
Apron Rent and RON Fees	374,245	379,289	405,764	474,453	512,604	8.2%
Total Airline Revenues	\$8,330,750	\$6,132,421	\$9,633,703	\$10,438,234	\$10,516,724	6.0%
Public Parking	11,327,250	11,711,732	13,371,480	12,835,802	13,224,807	3.9%
Concession Fees						
Auto Rentals	5,275,627	5,280,272	5,639,735	5,528,587	5,580,409	1.4%
Food & Beverage	485,208	490,917	748,800	606,955	595,363	5.2%
News & Gifts	449,802	501,267	568,646	519,759	506,851	3.0%
Other Concession Fees	306,406	408,107	485,204	410,640	292,900	-1.1%
Total Concession Fees	\$6,517,043	\$6,680,563	\$7,442,385	\$7,065,941	\$6,975,523	1.7%
Non-airline Building Rents	1,451,795	1,450,011	1,464,388	1,474,694	1,580,561	2.1%
Land and Hangar Rents	1,961,320	1,795,757	1,750,088	1,795,730	1,750,445	-2.8%
Other Revenues ³	737,339	785,137	905,557	913,146	943,824	6.4%
Interest Income	606,503	815,379	623,399	309,453	195,771	-24.6%
Total Non-airline Revenues	\$22,601,250	\$23,238,579	\$25,557,297	\$24,394,766	\$24,670,931	2.2%
Revenues net of Transfers from CIF	\$30,932,000	\$29,371,000	\$35,191,000	\$34,833,000	\$35,187,655	3.3%
Transfers from CIF	1,745,000	1,808,000	1,834,000	1,715,000	1,776,967	0.5%
Total Revenues	\$32,677,000	\$31,179,000	\$37,025,000	\$36,548,000	\$36,964,622	3.1%

Source: Authority records.

¹ Landing Fees for passenger and air cargo carriers, excluding fuel flowage fees.

² Airline Terminal Rents include the Common Use Charge.

³ Includes fuel flowage fees.

TABLE VI-7
BIRMINGHAM AIRPORT AUTHORITY
PROJECTED REVENUES
For Fiscal Years Ending June 30

Airport Revenues	2011	2012	2013	2014	2015	2016	2017	Avg. Annual Growth Rate
Airline Revenue ¹								
Landing Fees ²	\$7,130,220	\$8,379,682	\$8,597,542	\$10,326,797	\$11,517,697	\$11,783,852	\$12,216,970	9.4%
Airline Terminal Rentals	4,282,958	5,065,481	5,274,993	6,533,957	8,033,237	8,298,565	8,635,291	12.4%
Apron Rent and RON Fees	499,000	539,497	555,815	586,741	608,612	622,801	645,390	4.4%
Total Airline Revenues	\$11,912,178	\$13,984,660	\$14,428,350	\$17,447,495	\$20,159,546	\$20,705,218	\$21,497,650	10.3%
Public Parking	13,482,545	13,726,309	14,265,616	14,826,112	15,408,630	16,014,035	16,643,227	3.6%
Concession Fees								
Auto Rentals	4,615,942	4,745,927	4,981,230	5,228,199	5,487,414	5,759,480	6,045,035	4.6%
Food & Beverage	606,966	617,940	642,219	759,970	789,829	820,861	853,113	5.8%
News & Gifts	516,729	526,071	546,741	618,856	643,171	668,441	694,704	5.1%
Other Concession Fees	313,600	320,968	329,369	349,938	361,539	373,531	385,928	3.5%
Total Concession Fees	\$6,053,237	\$6,210,906	\$6,499,559	\$6,956,963	\$7,281,952	\$7,622,313	\$7,978,780	4.7%
Non-airline Building Rents	1,620,292	1,869,588	1,903,694	1,466,512	1,256,797	1,286,797	1,318,381	-3.4%
Land and Hangar Rents	1,760,000	1,793,254	1,817,228	1,835,364	1,853,709	1,872,433	1,891,542	1.2%
Other Revenues	881,500	894,170	907,266	920,814	934,843	949,384	964,470	1.5%
Total Non-airline Revenues	\$23,797,574	\$24,494,228	\$25,393,363	\$26,005,765	\$26,735,932	\$27,744,961	\$28,796,400	3.2%
Revenues net of Transfers from CIF	\$35,709,752	\$38,478,889	\$39,821,713	\$43,453,260	\$46,895,478	\$48,450,179	\$50,294,051	5.9%
Transfers from CIF	1,878,876	1,950,085	1,950,960	2,423,842	2,859,891	2,863,391	2,875,416	7.3%
Total Revenues	\$37,588,628	\$40,428,973	\$41,772,673	\$45,877,102	\$49,755,369	\$51,313,570	\$53,169,466	6.0%

¹ Projected FY 2011 Airline revenue assumes that the current rates will remain effective through 12/31/10, and that effective 1/1/11, new rates will be established using the same rate methodology, but with updated cost and revenue credit estimates.

² Landing Fees for passenger and air cargo carriers, excluding fuel flowage fees.

1. Airline Revenues

Airline revenues consist of landing fees, airline terminal rent, and apron fees. Airline revenues increased from \$7.5 million in FY 2006 to \$10.5 million in FY 2010. As mentioned earlier in this section, prior to December 31, 2005, the airlines operated at the Airport under the Airline Agreement. The rate methodology specified in the Airline Agreement provided for a credit to the airline's landing fee requirement with 50 percent of all non-airfield net revenues. From January 1, 2006 through February 28, 2009, the airlines operated without an agreement in place. During that time period, the airlines were charged rental rates and landing fees based on the rate methodology specified in the expired Airline Agreement. Effective March 1, 2009, the Authority changed its rate setting methodology to an approach that credits the Terminal cost center with 25 percent of all Terminal non-airline revenues, and the landing fee calculation includes credits for fuel flowage fees and certain other Airfield revenues. Airline revenues are projected to increase from approximately \$11.9 million in FY 2011 to \$21.5 million in FY 2017.

The components of airline revenue are discussed in the paragraphs below.

- a. *Landing Fees.* Landing Fee revenue increased from \$4.7 million in FY 2006 to \$6.1 million in FY 2010. The largest change in landing fee revenue occurred in FY 2008, with an increase of 75.6 percent due to a rate increase and a prior year adjustment. **Table VI-8** shows the calculation of the projected landing fee rate for each year during the forecast period, based on the Authority's current methodology, as described in **Section V**. Based on the estimated costs and credits included in the calculation, and the estimated landed weight presented in **Section IV**, the Landing Fee rate is projected to increase from \$3.95 in FY 2011¹⁹ to \$5.21 in FY 2017. The largest increase is projected to occur in FY 2014 (from \$4.02 in FY 2013 to \$4.72 in FY 2014), mainly due to the scheduled increase in annual debt service for the Series 2003A Bonds, 79 percent of which is allocated to the Airfield cost center. Total landing fee revenue (shown on **Table VI-7**) is projected to increase from approximately \$7.1 million in FY 2011 to \$12.2 million in FY 2017.

¹⁹ As of the date of this Report, the airlines are paying the Landing Fee rate of \$2.92 that was established effective March 1, 2009. The projected Landing Fee revenue shown on **Table VI-7** assumes that the Landing Fee rate will be adjusted effective January 1, 2011 to reflect the estimated costs and credits shown on **Table VI-8**.

**TABLE VI-8
BIRMINGHAM AIRPORT AUTHORITY
PROJECTED LANDING FEES
For Fiscal Years Ending June 30**

	2011 ¹	2012	2013	2014	2015	2016	2017
Current Expenses	\$7,378,180	\$7,583,716	\$7,880,845	\$8,443,947	\$8,842,184	\$9,100,535	\$9,511,851
Debt Service	1,088,111	1,088,861	1,088,011	2,001,061	2,816,657	2,832,547	2,862,611
Amortization	188,468	170,525	99,686	360,534	345,513	345,513	345,513
Total Requirement	\$8,654,760	\$8,843,102	\$9,068,542	\$10,805,541	\$12,004,354	\$12,278,595	\$12,719,975
Credits:							
Fuel Flowage Fees	313,000	316,130	319,291	322,484	325,709	328,966	332,256
Other Airfield Revenues ²	143,000	147,290	151,709	156,260	160,948	165,776	170,749
Total Credits	\$456,000	\$463,420	\$471,000	\$478,744	\$486,657	\$494,742	503,005
Net Airfield Requirement	\$8,198,760	\$8,379,682	\$8,597,542	\$10,326,797	\$11,517,697	\$11,783,852	\$12,216,970
Total Landed Weight	2,075,918	2,090,254	2,136,954	2,185,790	2,236,161	2,291,106	2,346,529
Rate (per thousand pounds)	\$3.95	\$4.01	\$4.02	\$4.72	\$5.15	\$5.14	\$5.21

¹ The Authority established the current landing fee rate effective March 1, 2009. The financial analysis assumes that the current rate will remain in effect through December 31, 2010, and that effective January 1, 2011, the new rate will be established.

² Other Airfield Revenues includes FBO concession fees and Ground Handling revenue.

- b. *Airline Terminal Rent.* Airline Terminal Rent remained fairly constant at approximately \$3.2 million from FY 2006 through FY 2008, and then increased to \$3.5 million in FY 2009 and \$3.9 million in FY 2010. The increases were mainly due to the change in the rate methodology effective March 1, 2009, wherein total costs allocated to the Terminal cost center are now divided by rentable square footage rather than useable square footage in the Terminal. Based on the estimated costs and credits included in the Airline Terminal Rent calculation, the rental rate is projected to increase from \$67.811 in FY 2011²⁰ to \$78.26 in FY 2017 (**Table VI-9**). Total Airline Rental revenue, as shown on **Table VI-7**, is projected to increase from \$4.3 million in FY 2011 to \$8.6 million in FY 2017.
- c. *Apron Rent and Remain Overnight (RON) Fees.* The Apron rental rate is calculated by dividing the Current Expenses allocated to the Apron cost center by the total square footage of the Apron. The Authority began charging RON Fees in FY 2008, at a rate of \$85 per gate per night. Apron Rent has remained constant at approximately \$0.4 million from FY 2006 through FY 2009, and the RON Fees have added slightly more than \$0.1 million to this revenue category, for a total of approximately \$0.5 million in FY 2010. During the forecast period, Apron Rent is projected to increase in accordance with the projected increases in Current Expenses allocated to the Apron, and RON Fees are projected to remain fairly stable. This revenue category is projected to increase to approximately \$0.6 million in FY 2017.

²⁰ As of the date of this Report, the airlines are paying the Terminal Rental rate of \$56.24 per square foot that was established effective March 1, 2009. The projected Airline Terminal Rental revenue shown on **Table VI-7** assumes that the Terminal Rental rate will be adjusted effective January 1, 2011 to reflect the estimated costs and credits shown on **Table VI-9**.

**TABLE VI-9
BIRMINGHAM AIRPORT AUTHORITY
PROJECTED AIRLINE TERMINAL RENTAL FEE
For Fiscal Years Ending June 30**

Terminal Rental Fee Calculation	2011 ¹	2012	2013	2014	2015	2016	2017
Terminal Requirements							
Current Expenses	\$8,589,619	\$9,313,481	\$9,806,604	\$11,149,277	\$13,092,315	\$13,822,586	\$14,643,590
Debt Service	1,804,592	1,807,817	1,804,162	3,701,422	5,415,440	5,412,430	5,417,375
Amortization	510,724	510,724	510,724	678,897	880,693	818,892	818,892
Total Terminal Requirement	\$10,904,935	\$11,632,022	\$12,121,490	\$15,529,595	\$19,388,448	\$20,053,908	\$20,879,857
Less Credit for 25% of Concession Fees:							
Auto Rental	1,153,986	1,186,482	1,245,308	1,307,050	1,371,853	1,439,870	1,511,259
Food & Beverage and News & Gifts	280,924	286,003	297,240	344,706	358,250	372,326	386,954
Other ²	42,650	43,420	44,415	48,419	50,148	51,939	53,795
Total Credits	\$1,477,559	\$1,515,904	\$1,586,963	\$1,700,176	\$1,780,251	\$1,864,134	\$1,952,008
Net Terminal Requirement	\$9,427,376	\$10,116,118	\$10,534,527	\$13,829,420	\$17,608,197	\$18,189,774	\$18,927,850
Terminal Rentable Space ³	139,018	139,018	139,018	190,442	241,865	241,865	241,865
Terminal Rental Rate	\$67.81	\$72.77	\$75.78	\$72.62	\$72.80	\$75.21	\$78.26
Airline Rented Space (Including Common Use)	69,611	69,611	69,611	89,978	110,344	110,344	110,344
Total Airline Rental Revenue	\$4,282,958	\$5,065,481	\$5,274,993	\$6,533,957	\$8,033,237	\$8,298,565	\$8,635,291

¹ The Authority established the current Terminal rental rate (\$55.24) effective March 1, 2009. The estimated Airline Rental Revenue for FY 2011 assumes that the current rate will remain in effect through December 31, 2010, and that effective January 1, 2011, the new rate will be established.

² The credit for other concession fees represents 25% of concession fees for Advertising, Taxi Fees, Vending Machines, ATMs, and Miscellaneous.

³ The rentable space for FY 2014 reflects a partial year of the increased space.

2. Non-Airline Revenues

Non-airline Revenues consist of revenues generated from public parking; rental car concessions; terminal and other concessions; building rents from non-airline tenants; land and hangar rents; and other sources. Total Non-airline Revenues increased from approximately \$22.0 million in FY 2006 to \$24.5 million in FY 2010. Total Non-airline Revenues are projected to increase to approximately \$28.8 million in FY 2017. The historical trends in the components of Non-airline Revenues, and the projections for the forecast period, are discussed below.

- a. *Parking Revenue.* Parking revenue is the largest source of revenue for the Authority (37.3 percent of total Revenues net of transfers from the CIF in FY 2010). Hourly (short-term) parking and Daily (long-term) parking are provided in the parking deck. Hourly parking is provided on level three of the parking deck, and Daily parking is provided on level two and levels four through seven. The rate for both types of parking is \$1.00 per hour, with a maximum fee of \$24 per 24-hour period for the Hourly parking and \$12.00 per 24-hour period for the Daily parking. The maximum fee per 24-hour period for the Daily parking was raised from \$8.00 to \$10.00 effective February 1, 2008, and to \$12.00 effective July 1, 2009. Remote parking is available on Airline Drive near the Terminal building, for a cost of \$1.00 per hour with a maximum fee of \$12.00 per 24-hour period. Parking revenue increased from \$11.3 million in FY 2006 to \$11.7 million in FY 2007 (3.4 percent increase), and then increased to \$13.4 million in FY 2008 (14.2 percent increase). The significant increase in FY 2008 was due to increased enplanements and the increase in the maximum 24-hour rate for the Daily parking. Parking revenue decreased 4.0 percent in FY 2009, to \$12.8 million, due to the 9.8 percent decrease in enplanements, partially offset by the effects of the increase in the maximum Daily parking rate.

Parking revenue is projected based on the average revenue per enplanement in FY 2010, which reflects the most recent parking rate increase, increased by 1.0 percent per year to account for modest future rate increases, applied to forecast enplanements. Parking revenue is projected to increase from \$13.5 million in FY 2011 to \$16.6 million in FY 2017.

- b. *Concession Fees.* The Authority receives concession fees from the auto rental companies, terminal concessionaires, and other companies operating at the Airport.
 - (i) Auto rental concession revenue. Through FY 2010, the rental car companies that operate at the Airport paid a concession fee of 10.0 percent of their gross revenues, subject to a Minimum Annual

Guarantee (MAG). This revenue category increased from approximately \$5.3 million in FY 2006 and FY 2007 to \$5.6 million in FY 2008, mainly due to the 9.8 percent increase in enplanements in that year. Corresponding to the decrease in enplanements in FY 2009, gross revenues reported by the rental car companies decreased significantly in that year. Therefore, in FY 2009 and FY 2010 the rental car companies paid their MAG amounts, which totaled approximately \$5.5 million.²¹ The rental car MAG amounts ended with the expiration of the rental car concession agreements on July 31, 2010. Therefore, it is anticipated that Auto Rental revenue will decrease significantly in FY 2011. Auto Rental revenue for FY 2011 and subsequent years is projected based on the rental car companies' reported FY 2010 gross revenues per enplanement, increased by 2.0 percent per year to account for rate increases approximately equal to inflation, applied to forecast enplanements, and multiplied by the 10 percent concession fee. Rental car concession revenue is projected to decrease to \$4.6 million in FY 2011 and then increase during the remainder of the forecast period, to approximately \$6.0 million in FY 2017.

(ii) Food and beverage concession revenues. The Authority receives concession revenues from Host International for food and beverage items in an amount equal to the greater of an annual minimum guarantee or concession fees of 12.0 percent of food and non-alcoholic beverage sales and 15.0 percent of alcoholic beverage sales. Food and beverage concession revenues fluctuated during the historical period, reflecting the fluctuations in enplanements, and totaled almost \$0.6 million in FY 2010. Currently, most of the food and beverage concession locations are pre-security, which is considered to have a dampening effect on food and beverage sales. A component of the TMP will be the relocation of food and beverage concession locations so that approximately 70 percent of the space will be located post-security, thereby increasing customer satisfaction and concession sales. Future food and beverage concession revenues are projected based on the FY 2010 revenue per enplanement, increased by 1.0 percent per year to account for modest price increases, plus an additional one-time 15.0 percent increase in FY 2014 to approximate the anticipated effect of the improved concession program included in the Terminal Modification Program. Food and beverage concession revenues are projected to increase to almost \$0.9 million in FY 2017.

(iii) News and gifts concession revenues. The Authority receives concession revenues for news and gifts items in an amount equal to

²¹ Only one rental car company reported sufficient gross revenues in FY 2010 to exceed its MAG amount.

the greater of an annual minimum guarantee or percentage concession fees of 18.0 percent of news and gifts gross sales. News and gifts concession revenues totaled over \$0.5 million in FY 2010. Future news and gifts concession revenues are projected based on the FY 2010 revenue per enplanement, increased by 1.0 percent per year to account for modest price increases, plus a one-time 10.0 percent increase in FY 2014 to approximate the anticipated effect of the improved concession space to be completed as part of the TMP. During the forecast period, news and gifts concession revenues are projected to increase to almost \$0.7 million in FY 2017.

(iv) Other Concession Fees. The Authority receives concession fees for advertising displays in the Terminal building, ground handling fees, taxi operations, vending machines and ATMs in the Terminal building, FBO sales, and various other minor items. Together, the fees from advertising, ground handling, and taxis represented 83.9 percent of the total Other Concession Fees. In general, these three types of concession fees have fluctuated from year to year in relation to changes in air traffic levels at the Airport. Total Other Concession Fees increased from approximately \$0.3 million in FY 2006 to almost \$0.5 million in FY 2008 before decreasing back to \$0.3 million in FY 2010. During the forecast period, Other Concession Fees are projected to increase in accordance with forecast increases in air traffic activity at the Airport, plus a one-time increase in Advertising concession fees anticipated to result from the space added in the TMP. Other Concession Fees are projected to increase to approximately \$0.4 million in FY 2017.

c. *Non-airline Building Rents.* This category consists of building rent received by the Authority from air cargo carriers, the rental car companies (for the ready/return spaces on the first level of the parking deck and counter/office space in the Main Terminal Building), the FAA, the TSA, and the U.S. Postal Service. Non-airline building rents remained fairly constant at approximately \$1.5 million from FY 2006 through FY 2009, and increased slightly, to \$1.6 million, in FY 2010, due to a one-time retroactive rent adjustment for the air cargo carriers. The majority of this revenue category represents rent received from the air cargo carriers and the rental car companies (44.5 percent and 31.1 percent, respectively, in FY 2010). Currently, Federal Express and UPS rent space in the new air cargo building, while Southwest and Delta rent space in the old air cargo building, which will be demolished to accommodate the expansion of the Main Terminal Building through the TMP. It is anticipated that air cargo building rents will increase when Southwest and Delta relocate to the new building effective January 1, 2011. The rent for the new building is calculated based on a formula that includes allocated Current Expenses and bond debt service on the Series 2003B Bonds. Air cargo building rent is projected to increase through FY 2013, and then decrease in FY 2014

- and FY 2015, when the Series 2003B Bonds mature. Rental car counter/office space rent is projected to end effective the beginning of FY 2014, when the rental car counters and offices will be relocated to the first level of the parking deck. Total Non-airline Building Rents are projected to increase from \$1.6 million in FY 2011 to \$1.9 million in FY 2013, and then decrease to \$1.5 million in FY 2014 and \$1.3 million in FY 2015 through FY 2017.
- d. *Land and Hangar Rents.* The Authority receives rents from the tenant that leases the aircraft maintenance facility (Alabama Aircraft Industries, Inc., or AAll), the tenants of the executive aircraft hangars, the FBO (Atlantic Aviation), and the rental car companies (for their service centers). AAll pays to the Authority rent equal to a percentage of its gross sales. Atlantic Aviation pays to the Authority land rent at a specified rate per square foot. The executive hangars are leased by the Authority to a number of tenants at specified per-square-foot rental rates. The rental car companies pay per-square-foot land rent for their service centers. The majority of this category represents rent from the executive hangars and AAll (44.9 percent and 31.2 percent, respectively, in FY 2010). Total Land and Hangar Rents decreased from almost \$2.0 million in FY 2006 to \$1.8 million in FY 2007 through FY 2010, due to a decrease in gross sales reported by AAll. For the forecast period, Land and Hangar Rents are projected based on the following assumptions: (1) AAll gross sales will increase with inflation; (2) the executive hangar leases will be renewed with CPI adjustments matching inflation; and (3) FBO and rental car service center land rent will remain constant. Land and Hangar Rents are projected to increase from approximately \$1.8 million in FY 2011 to \$1.9 million in FY 2017.
- e. *Other Revenues.* This revenue category consists of revenue received from various other sources, including fuel flowage fees, fees from courtesy vehicles, reimbursements for utility expenses, rent from the Alabama National Guard, reimbursement grants received from the TSA for the cost of Police services related to the security checkpoints, revenue from the business center, and other miscellaneous sources. Other revenues increased from approximately \$0.7 million in FY 2006 to \$0.9 million in FY 2010. This revenue category is projected to increase gradually during the forecast period, to approximately \$1.0 million in FY 2017.

3. Transfers from the Capital Improvement Fund

The definition of Revenues contained in the Indenture includes moneys transferred by the Authority from the CIF to the Revenue Fund. On the last day of each Fiscal Year, the Authority transfers an amount equal to 25 percent of annual debt service from the CIF to the Revenue Fund. The amount transferred each year has fluctuated in accordance with variations in annual debt service,

having ranged between \$1.7 million and \$1.8 million from FY 2006 through FY 2010. During the forecast period, it is projected that the Authority will continue to transfer an amount equal to 25 percent of annual debt service (net of PFCs applied to debt service) from the CIF to the Revenue Fund on the last day of each Fiscal Year. The amount of the annual transfer is projected to increase from the current level of \$1.8 million to \$1.9 million in FY 2011, \$2.0 million in FY 2012 and FY 2013, \$2.4 million in FY 2014, and \$2.9 million in FY 2015 through FY 2017, due to the projected increases in debt service associated with the Series 2010 Bonds.

F. KEY FINANCIAL INDICATORS

This sub-section discusses the projections of the following key financial indicators: (1) the application of Revenues pursuant to the provisions of the Indenture; (2) the Authority's ability to satisfy the Rate Covenant as evidenced by projected debt service coverage, and the additional bonds test; (3) PFC cash flow; and (4) the airline cost per enplaned passenger. Projections of the key financial indicators are also presented under the low enplanement forecast scenario (sensitivity analysis).

1. Application of Revenues

Table VI-10 shows the forecast application of Revenues pursuant to the provisions of the Indenture, during the forecast period. Revenues are applied in the order shown on **Figure VI-1**.

2. Rate Covenant Tests and Debt Service Coverage

The rate covenant tests and debt service coverage are presented on **Table VI-11**. The calculations for FY 2011 and future years reflect the projected debt service of the Series 2010 Bonds. As mentioned earlier, under the Indenture, the Authority has covenanted to establish and collect fees and charges in each Fiscal Year that will generate Net Revenues that will satisfy all the Authority's obligations under the Indenture, and that will at least equal 125 percent of annual debt service.

Debt service coverage is projected to increase from 1.94 in FY 2011 to 2.10 in FY 2012 and 2.13 in FY 2013 before decreasing to 1.89 in FY 2014 and 1.68 in FY 2015, the first full Fiscal Year after the end of the capitalized interest period on the Series 2010 Bonds. Debt service coverage is then projected to increase to 1.71 in FY 2016 and 1.72 in FY 2017. Therefore, the Authority is projected to satisfy the coverage requirements of the Indenture throughout the forecast period.

TABLE VI-10
BIRMINGHAM AIRPORT AUTHORITY
APPLICATION OF REVENUES
For Fiscal Years Ending June 30

	2011	2012	2013	2014	2015	2016	2017
Revenues	\$37,588,628	\$40,428,973	\$41,772,673	\$45,877,102	\$49,755,369	\$51,313,570	\$53,169,466
Application of Revenues							
Payment of Current Expenses	\$22,878,063	\$24,078,140	\$25,161,416	\$27,520,828	\$30,491,411	\$31,765,721	\$33,376,948
Deposits to Bond Fund	7,515,503	7,800,338	7,803,838	9,695,368	11,439,564	11,453,564	11,501,664
Current Expense Reserve ¹	-	-	-	-	-	-	-
Capital Improvement Fund Deposits	7,195,062	8,550,495	8,807,419	8,660,907	7,824,394	8,094,286	8,290,855
Replenishment of 25% Coverage	1,878,876	1,950,085	1,950,960	2,423,842	2,859,891	2,863,391	2,875,416
New Deposits to CIF	5,316,187	6,600,410	6,856,460	6,237,065	4,964,504	5,230,895	5,415,439
Total Revenues Applied	\$37,588,628	\$40,428,973	\$41,772,673	\$45,877,102	\$49,755,369	\$51,313,570	\$53,169,466

¹ Under the terms of the Indenture, the Authority maintains a line of credit equal to one-sixth of annual budgeted Current Expenses, in lieu of retaining in the Revenue Fund one-sixth of the annual budgeted Current Expenses.

BIRMINGHAM AIRPORT AUTHORITY
Financial Feasibility Report

TABLE VI-11
BIRMINGHAM AIRPORT AUTHORITY
RATE COVENANT TESTS
For Fiscal Years Ending June 30

	Audited		Projected						
	2009	2010	2011	2012	2013	2014	2015	2016	2017
TEST 1									
Revenues net of Transfers	\$34,833,000	\$35,187,655	\$35,709,752	\$38,478,889	\$39,821,713	\$43,453,260	\$46,895,478	\$48,450,179	\$50,294,051
Transfers from CIF	1,715,000	1,776,967	1,878,876	1,950,085	1,950,960	2,423,842	2,859,891	2,863,391	2,875,416
Total Revenues	\$36,548,000	\$36,964,622	\$37,588,628	\$40,428,973	\$41,772,673	\$45,877,102	\$49,755,369	\$51,313,570	\$53,169,466
Less:									
Current Expenses	22,925,265	21,188,944	22,878,063	24,078,140	25,161,416	27,520,828	30,491,411	31,765,721	33,376,948
Bond Fund Deposit (Debt Service) ¹	\$6,858,000	\$7,107,868	7,515,503	7,800,338	7,803,838	9,695,368	11,439,564	11,453,564	11,501,664
Must Not Be Less Than Zero	\$6,764,735	\$8,667,810	\$7,195,062	\$8,550,495	\$8,807,419	\$8,660,907	\$7,824,394	\$8,094,286	\$8,290,855
TEST 2									
Total Revenues (per above)	\$36,548,000	\$36,964,622	\$37,588,628	\$40,428,973	\$41,772,673	\$45,877,102	\$49,755,369	\$51,313,570	\$53,169,466
Less: Current Expenses	22,925,265	21,188,944	22,878,063	24,078,140	25,161,416	27,520,828	30,491,411	31,765,721	33,376,948
Equals Net Revenues	\$13,622,735	\$15,775,678	\$14,710,565	\$16,350,833	\$16,611,257	\$18,356,275	\$19,263,958	\$19,547,849	\$19,792,518
Bond Debt Service Times 125% ¹	8,572,500	8,884,835	9,394,378	9,750,423	9,754,798	12,119,210	14,299,454	14,316,954	14,377,079
Must Not Be Less Than Zero	\$5,050,235	\$6,890,843	\$5,316,187	\$6,600,410	\$6,856,460	\$6,237,065	\$4,964,504	\$5,230,895	\$5,415,439
TEST 3									
Total Revenues (per above)	\$36,548,000	\$36,964,622	\$37,588,628	\$40,428,973	\$41,772,673	\$45,877,102	\$49,755,369	\$51,313,570	\$53,169,466
Less:									
Current Expenses	22,925,265	21,188,944	22,878,063	24,078,140	25,161,416	27,520,828	30,491,411	31,765,721	33,376,948
Bond Fund Deposit (Debt Service) ¹	6,858,000	7,107,868	7,515,503	7,800,338	7,803,838	9,695,368	11,439,564	11,453,564	11,501,664
Allowable Amount of Non-Cash Revenue	\$6,764,735	\$8,667,810	\$7,195,062	\$8,550,495	\$8,807,419	\$8,660,907	\$7,824,394	\$8,094,286	\$8,290,855
DEBT SERVICE COVERAGE									
Net Revenues	\$13,622,735	\$15,775,678	\$14,710,565	\$16,350,833	\$16,611,257	\$18,356,275	\$19,263,958	\$19,547,849	\$19,792,518
Divided by: Bond Debt Service ¹	\$6,858,000	\$7,107,868	\$7,515,503	\$7,800,338	\$7,803,838	\$9,695,368	\$11,439,564	\$11,453,564	\$11,501,664
Net Revenues Divided by Debt Service	1.99	2.22	1.96	2.10	2.13	1.89	1.68	1.71	1.72

¹ Debt service net of PFCs applied to debt service.

The Indenture contains an additional bonds test, which can be satisfied by an accountant's certificate that shows the applicable coverage calculation on a historical basis and by a certificate prepared by an airport consultant that shows the applicable coverage calculation on a projected basis. The historical coverage calculation must be for the last audited fiscal year. If the bonds are being issued to fund capital improvements, the projected coverage calculation must cover the period from the first full fiscal year following the issuance of the proposed bonds through the later of:

- (1) the earlier to conclude of:
 - (a) the third full fiscal year after the date in which the capital improvements will be completed and placed in service; or
 - (b) the third full fiscal year after the end of the capitalized interest period on the bonds; or
- (2) the fifth full fiscal year after the date of issuance of the bonds.

The coverage calculations for FY 2011 through FY 2017 shown on **Table VI-11** and described above meet the projected coverage calculation requirements for the additional bonds test. Also shown are the coverage calculations for FY 2009 and FY 2010, which meet the historical coverage calculation requirements for the additional bonds test. Debt service coverage was 1.94 in FY 2009 and 2.19 in FY 2010. Therefore, the calculations demonstrate that the Authority satisfied the historical requirements for the additional bonds test.

3. PFC Cash Flow

The projected PFC cash flow is presented on **Table VI-12**. The projections conservatively assume the PFC collection level will remain at the current rate of \$4.50. PFC collections, net of the airline collection fee, are projected to increase from \$6.3 million in FY 2011 to \$7.4 million in FY 2017. As mentioned earlier in this section, the Authority has irrevocably committed a portion of annual PFC revenues to debt service on the Series 2010 Bonds. In addition, the Authority is applying PFCs on a Pay-As-You-Go basis toward other PFC eligible costs of the capital program. The balance in the PFC Fund is projected to decrease from approximately \$6.3 million at the beginning of FY 2011 to \$2.2 million at the end of FY 2011, mainly due to PFC Pay-As-You-Go capital expenditures. The balance is then projected to increase each year thereafter, to \$13.3 million at the end of FY 2017.

TABLE VI-12
BIRMINGHAM AIRPORT AUTHORITY
PROJECTED PFC REVENUE AND PFC FUND BALANCE
For Fiscal Years Ending June 30

	2011	2012	2013	2014	2015	2016	2017
Total Projected Enplanements	1,483,000	1,494,864	1,538,215	1,582,823	1,628,725	1,675,958	1,724,561
% of Enplaned Passengers	95.5%	95.5%	95.5%	95.5%	95.5%	95.5%	95.5%
PFC Eligible Enplaned Passengers	1,416,265	1,427,595	1,468,995	1,511,596	1,555,432	1,600,540	1,646,955
Gross PFC Revenue							
\$4.50 Per Eligible Enplanement	\$6,373,191	\$6,424,177	\$6,610,478	\$6,802,182	\$6,999,445	\$7,202,429	\$7,411,299
Less: Airline Collection Fee							
\$0.11 Per Eligible Enplanement	155,789	157,035	161,589	166,276	171,098	176,059	181,165
Net PFC Revenue	\$6,217,402	\$6,267,141	\$6,448,888	\$6,635,906	\$6,828,347	\$7,026,369	\$7,230,134
PFC Fund							
Beginning Balance	\$6,278,205	\$2,292,876	\$3,417,287	\$4,923,871	\$6,672,462	\$8,651,794	\$10,917,783
Net PFC Revenue	6,217,402	6,267,141	6,448,888	6,635,906	6,828,347	7,026,369	7,230,134
PFCs Applied to Debt Service	(2,499,823)	(5,004,187)	(5,002,887)	(5,000,537)	(4,999,337)	(5,001,137)	(5,000,737)
PFCs for Capital Expenditures	(7,745,126)	(179,436)	0	0	0	0	0
Interest Income	42,218	40,893	60,582	113,222	150,322	240,757	300,522
Ending Balance	\$2,292,876	\$3,417,287	\$4,923,871	\$6,672,462	\$8,651,794	\$10,917,783	\$13,447,702

4. Airline Cost per Enplaned Passenger

An important component of the financial feasibility report is an assessment of how the planned capital improvements and the related financings will affect airline rates and charges. Based on the financial projections discussed above, the airline cost per enplaned passenger, presented on **Table VI-13**, is projected to increase from \$7.72 in FY 2011 to \$12.05 in FY 2017.

Based on a survey conducted by Unison, the airline cost per enplanement for selected small-hub U.S. airports with enplanements similar to BHM ranges between \$5.48 and \$9.75.²² Although BHM's projected airline cost per enplanement is higher than the other small-hub airports surveyed, it is important to note that the cost per enplanement amounts for other airports are based on current costs and do not include the potential effect of any future capital improvements undertaken by those airports. In addition, this comparison is being made to BHM's projected costs in FY 2017 (six years in the future). The Authority has no additional projects planned that would have a significant impact on the airline cost per enplanement. Also, in our professional judgment, the costs could be further managed, if necessary, if the Authority is willing to explore other alternatives, such as: (a) credit a larger share of non-airline revenues in the airline rate base; or (b) fund certain costs from the Capital Improvement Fund (CIF), and not include such costs in the airline rate base, provided that the balance in the CIF is sufficient to provide the Authority with adequate liquidity levels.

5. Sensitivity Analysis

The financial analysis was also performed assuming the low air traffic forecast presented in **Section IV**. Projected debt service coverage, airline cost per enplanement, and the PFC Fund balance under the low air traffic forecast are summarized on **Table VI-14**. Debt service coverage is projected to remain at 1.48 or above throughout the forecast period, and the airline cost per enplanement is projected to increase to \$13.54 in FY 2017. Under the low air traffic forecast, the PFC Fund balance is projected to equal \$7.0 million at the end of the forecast period.

We performed an additional sensitivity analysis under the low enplanement forecast scenario, to evaluate a scenario that assumes the Authority does not receive the \$8.8 million in anticipated VALE funding, and instead funds those costs with Authority funds and includes the corresponding amortization charges in the airline rate base. This sensitivity analysis results in a projected airline cost per enplanement of \$13.60 in FY 2017.

²² Based on information from the following small-hub airports: Albany, Dayton, El Paso, Huntsville, Jackson-Evers, Will Rogers (Oklahoma City), and Tulsa.

H. SUMMARY

The following points highlight the significant findings of the financial analysis contained in this section:

- Debt service coverage is projected to remain above the 1.25 minimum requirement, with a projected minimum of 1.68 during the forecast period.
- For purposes of the additional bonds test, debt service coverage was 1.94 in FY 2009 and 2.09 in FY 2010, respectively – well above the 1.25 minimum requirement.
- The Authority's PFC Fund balance, after accounting for PFCs projected to be applied toward debt service on the Series 2010 Bonds and future GARBs, and PFCs projected to be applied on a Pay-As-You-Go basis toward PFC eligible capital costs, is projected to decrease from \$6.3 million at the beginning of FY 2011 to \$2.2 million at the end of FY 2012, due to planned PFC-eligible capital expenditures, and then increase each year thereafter, to approximately \$13.3 million in FY 2017. Under the low air traffic forecast, the PFC balance is projected to equal \$7.0 million in FY 2017.
- The airline cost per enplaned passenger is projected to increase from \$7.72 in FY 2011 to \$12.05 in FY 2017.
- Although that level is higher than the other small-hub airports surveyed, it is important to note that the cost per enplanement amounts for other airports are based on current costs and do not include the potential effect of any future capital improvements at those airports. In addition, this comparison is being made to BHM's projected costs in FY 2017 (six years in the future). The Authority has no additional projects planned that would have a significant impact on the airline cost per enplanement. Also, in our professional judgment, the costs could be further managed, if necessary, if the Authority is willing to explore other alternatives, such as: (1) credit a larger share of non-airline revenues in the airline rate base; or (2) fund certain costs from the Capital Improvement Fund (CIF), and not include such costs in the airline rate base, provided that the balance in the CIF is sufficient to provide the Authority with adequate liquidity levels.
- Under the low air traffic forecast, debt service coverage is projected to remain at or above 1.48 throughout the forecast period. Under the low air traffic forecast, the airline cost per enplanement is projected to increase to \$13.54 in FY 2017. An additional sensitivity analysis was performed under the low enplanement forecast scenario, to evaluate a scenario that assumes the Authority does not receive the \$8.8 million in anticipated VALE funding, and instead funds those costs with Authority funds, and

includes the associated amortization charges in the airline rate base. This sensitivity analysis results in a projected airline cost per enplanement of \$13.60 in FY 2017.

TABLE VI-13
BIRMINGHAM AIRPORT AUTHORITY
PROJECTED AIRLINE COST PER ENPLANED PASSENGER
For Fiscal Years Ending June 30

Passenger Airline Revenues	2011	2012	2013	2014	2015	2016	2017
Landing Fees ¹	\$6,660,677	\$7,831,643	\$8,047,543	\$9,680,935	\$10,813,579	\$11,080,740	\$11,505,231
Apron Rent and RON Fees	499,000	539,497	555,815	586,741	608,612	622,801	645,390
Terminal Rental Revenue	4,282,958	5,065,481	5,274,993	6,533,957	8,033,237	8,298,565	8,635,291
Total Passenger Airline Revenues	\$ 11,442,635	\$ 13,436,622	\$ 13,878,351	\$ 16,801,633	\$ 19,455,428	\$ 20,002,105	\$ 20,785,912
Enplanements	1,483,000	1,495,000	1,538,000	1,583,000	1,629,000	1,676,000	1,725,000
Airline Cost Per Enplanement	\$7.72	\$8.99	\$9.02	\$10.61	\$11.94	\$11.93	\$12.05

¹ Excludes Landing Fees from air cargo carriers.

TABLE VI-14
BIRMINGHAM AIRPORT AUTHORITY
PROJECTED DEBT SERVICE COVERAGE, AIRLINE COST PER ENPLANEMENT, AND PFC FUND BALANCE
Low Air Traffic Forecast Scenario
For Fiscal Years Ending June 30

	Projected						
	2011	2012	2013	2014	2015	2016	2017
Revenues net of Transfers	\$35,744,906	\$36,399,577	\$37,645,894	\$41,167,051	\$44,511,067	\$45,966,575	\$47,707,083
Transfers from CIF to Revenue Fund	1,878,876	1,950,085	1,950,960	2,423,842	2,859,891	2,863,391	2,875,416
Total Revenues	\$37,623,781	\$38,349,661	\$39,596,854	\$43,590,893	\$47,370,958	\$48,829,966	\$50,582,499
Less: Current Expenses	22,878,063	24,078,140	25,161,416	27,520,828	30,491,411	31,765,721	33,376,948
Net Revenues	\$14,745,718	\$14,271,521	\$14,435,438	\$16,070,066	\$16,879,548	\$17,064,245	\$17,205,551
Debt Service	\$10,015,326	\$12,804,525	\$12,806,725	\$14,695,905	\$16,438,901	\$16,454,701	\$16,502,401
PFCs Committed to Debt Service	(2,499,823)	(5,004,187)	(5,002,887)	(5,000,537)	(4,999,337)	(5,001,137)	(5,000,737)
Debt Service net of PFCs Committed	\$7,515,503	\$7,800,338	\$7,803,838	\$9,695,368	\$11,439,564	\$11,453,564	\$11,501,664
Debt Service Coverage	1.96	1.83	1.85	1.66	1.48	1.49	1.50
Landing Fees ¹	\$6,660,677	\$7,757,128	\$7,972,499	\$9,592,552	\$10,716,961	\$10,983,972	\$11,406,942
Apron Rent and RON Fees	499,000	539,497	555,815	586,741	608,612	622,801	645,390
Terminal Rental Revenue	4,720,605	5,146,690	5,361,511	6,621,455	8,121,721	8,391,235	8,732,346
Total Passenger Airline Revenues	\$ 11,880,282	\$ 13,443,314	\$ 13,889,826	\$ 16,800,748	\$ 19,447,294	\$ 19,998,007	\$ 20,784,678
Enplanements	1,483,000	1,330,000	1,369,000	1,408,000	1,449,000	1,491,000	1,535,000
Airline Cost Per Enplanement	\$8.01	\$10.11	\$10.15	\$11.93	\$13.42	\$13.41	\$13.54
PFC Fund Balance	\$2,063,868	\$2,283,409	\$2,845,308	\$3,595,049	\$4,527,606	\$5,673,461	\$7,025,433

¹ Excludes Landing Fees from air cargo carriers.

