

In the opinion of Co-Bond Counsel to the Authority, under existing law, interest on the Series 2020 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 2020 Bonds in order that interest thereon be and remain excludable from gross income, except for interest on any Series 2020 Bonds for any period during which such Series 2020 Bonds are held by a person who is a “Substantial User” of the Airport facilities financed by the Series 2020 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 2020 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 2020 Bonds.



\$102,130,000
BIRMINGHAM AIRPORT AUTHORITY
Airport Revenue Bonds, Series 2020
(Non-AMT)

Issue Date: Date of Initial Delivery

Due: July 1, as shown on inside cover

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

The bonds being issued and sold pursuant to this Official Statement are Airport Revenue Bonds, Series 2020, issued by the Birmingham Airport Authority (the “Authority”) in the aggregate principal amount of \$102,130,000 (the “Series 2020 Bonds”). The Series 2020 Bonds are being issued by the Authority to refinance those of the \$151,705,000 original principal amount of Airport Revenue Bonds, Series 2020 (Non-AMT) dated December 22, 2010, scheduled to mature in 2021 and thereafter, and to pay those costs of issuing the Series 2020 Bonds not paid by the Authority with cash.

The Series 2020 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 2020 Bonds are payable by Regions Bank, Birmingham, Alabama, as trustee, to DTC, which in turn will remit such payments to its participants for subsequent disbursement to purchasers as described herein while the Series 2020 Bonds are registered in the name of Cede & Co. Interest will accrue on the Series 2020 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, 2020. The Series 2020 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 Official Statement. The Series 2020 Bonds are subject to redemption prior to maturity as more particularly described herein.

THE SERIES 2020 BONDS ARE LIMITED OBLIGATIONS OF THE AUTHORITY. THE AUTHORITY IS OBLIGATED TO PAY THE PRINCIPAL OF, PREMIUM, IF ANY, AND INTEREST ON THE SERIES 2020 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 2020 BONDS FROM PFC MONIES (AS HEREINAFTER DEFINED), WHICH ARE NOT SUBJECT TO THE LIEN OF THE INDENTURE. THE SERIES 2020 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 2020 BONDS. THE SERIES 2020 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 2020 Bonds will be secured by Net Revenues on a parity basis with any additional parity bonds issued. See “SECURITY FOR THE SERIES 2020 BONDS – Source of Payment” and “SECURITY FOR THE SERIES 2020 BONDS – Additional Bonds” herein. The scheduled payment of principal of and interest on the Series 2020 Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Series 2020 Bonds by Build America Mutual Assurance Company. See “BOND INSURANCE” herein.



This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement, including all appendices hereto, to obtain information necessary to making an informed investment decision. Additionally, an investment in the Series 2020 Bonds involves certain risks. See “RISK FACTORS AND INVESTMENT CONSIDERATIONS” herein.

The Series 2020 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 Bradley Arant Boult Cummings LLP, Birmingham, Alabama, and Ken Simon Law, Birmingham, Alabama, as Co-Bond Counsel to the Authority. Certain legal matters will also be passed on for the Authority by Maynard, Cooper & Gale, P.C., Birmingham, Alabama, and Kelvin W. Howard, LLC, Birmingham, Alabama, Co-Counsel to the Authority, and for the Underwriters by Ezell Law, LLC, counsel to the Underwriters. It is expected that the Series 2020 Bonds in definitive form will be ready for delivery through the facilities of The Depository Trust Company on or about July 9, 2020.

PIPER | SANDLER

MORGAN STANLEY

SIEBERT WILLIAMS SHANK & CO., LLC

MATURITIES, AMOUNTS, RATES, YIELDS, & CUSIPS

Maturity Date (July 1,)	Principal Amount	Interest Rate	Yield	CUSIP ⁽¹⁾
2023	\$5,230,000	5.000%	1.020%	090888GG7
2024	5,490,000	5.000	1.130	090888GH5
2025	5,765,000	5.000	1.290	090888GJ1
2026	6,055,000	5.000	1.460	090888GK8
2027	6,360,000	5.000	1.590	090888GL6
2028	6,675,000	5.000	1.700	090888GM4
2029	7,010,000	5.000	1.780	090888GN2
2030	7,360,000	5.000	1.860	090888GP7
2031	4,220,000	5.000	1.910*	090888GQ5
2032	4,430,000	5.000	2.000*	090888GR3
2033	4,650,000	5.000	2.090*	090888GS1
2034	4,885,000	5.000	2.130*	090888GT9
2035	5,125,000	4.000	2.430*	090888GU6
2036	5,330,000	4.000	2.470*	090888GV4
2037	5,545,000	4.000	2.510*	090888GW2
2038	5,765,000	4.000	2.540*	090888GX0
2039	6,000,000	4.000	2.560*	090888GY8
2040	6,235,000	4.000	2.600*	090888GZ5

* Calculated to July 1, 2030 first optional redemption date.

⁽¹⁾ CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein is provided by the CUSIP Service Bureau, operated by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services Bureau. CUSIP numbers have been assigned by an independent company not affiliated with the Authority and are included solely for the convenience of the registered owners of the Series 2020 Bonds. The Authority and the Underwriter are not responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness by the Authority on the Series 2020 Bonds or by the Underwriter on the Series 2020 Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2020 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Series 2020 Bonds.

BIRMINGHAM AIRPORT AUTHORITY

Members

David Germany, Chairman
Bobbie Knight, Vice-Chairman
Chris Johnson
Robert Earl Kelly
Edgar Marx, Jr.
Bill Smith
Darlene Wilson
Randall Woodfin, Mayor, Ex Officio Member

Airport Management

Ronald F. Mathieu, C.M.	President and CEO
Jim Payne, C.M., A.C.E.	Chief Operating Officer
Korey Campbell	Chief Financial Officer
Marcelo Lima, A.A.E.	Vice President of Planning and Development
Cameron Thompson, A.C.E.	Vice President of Operations
Mike Thompson, C.M.	Vice President of Facilities
TJ Williams	Vice President of Air Service Development
Cathryn Smith	Executive Assistant/Board Administrator
Candace O'Neil	Public Relations and Marketing Manager

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Birmingham, Alabama

The information contained in this Official Statement 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 Official Statement is or shall be construed or relied upon as a guarantee, promise or representation by the Underwriters.

This Official Statement is submitted in connection with the sale of the Series 2020 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 Official Statement 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 Official Statement 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 Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Series 2020 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 2020 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.

IN CONNECTION WITH THE OFFERING OF THE SERIES 2020 BONDS, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH SERIES 2020 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 2020 BONDS NOR THE INDENTURE 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 2020 BONDS AND THE INDENTURE IN ACCORDANCE WITH THE APPLICABLE PROVISIONS OF SECURITIES LAWS OF THE STATES IN WHICH THE SERIES 2020 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 2020 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 OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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Build America Mutual Assurance Company ("BAM") makes no representation regarding the Series 2020 Bonds or the advisability of investing in the Series 2020 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the section entitled "BOND INSURANCE " and "Appendix G - Specimen Municipal Bond Insurance Policy".

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OFFICIAL STATEMENT
relating to
\$102,130,000
Birmingham Airport Authority
Airport Revenue Bonds, Series 2020
(Non-AMT)

INTRODUCTION

The purpose of this Official Statement, 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 above-referenced bonds dated their date of original issuance (the "Series 2020 Bonds").

The Series 2020 Bonds are being issued under a Trust Indenture dated the date of the Series 2020 Bonds (the "Indenture") between the Authority and Regions Bank, an Alabama banking corporation, as trustee (the "Trustee").

Proceeds from the sale of the Series 2020 Bonds, together with other funds of the Authority, will be used and applied to redeem and retire those of the Authority's \$151,705,000 original principal amount Birmingham Airport Authority, Airport Revenue Bonds, Series 2010 (Non-AMT), dated December 22, 2010 (the "Series 2010 Bonds") maturing in 2021 and thereafter (the "Refunded Series 2010 Bonds"), and to pay those costs of issuing the Series 2020 Bonds not paid with cash of the Authority.

The Series 2020 Bonds will be secured by Net Revenues (as defined in the Indenture) on parity of lien with any Additional Bonds hereafter issued. Subject to certain conditions, Additional Bonds may be issued under the Indenture and secured by Net Revenues on a parity basis with the Series 2020 Bonds and any Additional Bonds then outstanding. See APPENDIX C – "FORM OF THE INDENTURE" – "Article VIII Additional Bonds". The Series 2020 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 Official Statement shall have the meanings set forth in APPENDIX C – "FORM OF THE INDENTURE" hereto.

Under the PFC Act (hereinafter defined), airports may apply to the Federal Aviation Administration (the "FAA") for authorization to impose a passenger facility charge (each, a "PFC") on eligible enplaning revenue passengers 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 and pursuant the 2010 PFC Application (as hereinafter defined), which was approved by the FAA on November 4, 2010, the Authority has imposed a \$4.50 PFC on each eligible enplaning revenue passenger at the Airport, up to an aggregate amount of \$151,500,000. The Authority anticipates applying a portion of the PFC Monies (as hereinafter defined) it receives (i) to pay the debt service on Series 2020 Bonds issued to refund those portions of the Refunded Series 2010 Bonds that financed PFC Eligible Projects and (ii) to pay the costs of other PFC Eligible Projects. See "SECURITY FOR THE SERIES 2020 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 2020 Bonds or otherwise subject to the lien of the Indenture. However, under the Indenture the Authority has created a special purpose account at a commercial bank of the Authority's choosing (the "PFC Account") and agreed to (i) deposit all PFC Monies upon receipt in the PFC Account, and (ii) 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 2020 Bonds. See "SECURITY FOR THE SERIES 2020 BONDS – Commitment of Certain PFC Monies – PFC Account" herein.

The Series 2020 Bonds are subject to optional redemption prior their scheduled maturity at the times and under the circumstances set forth herein. See "DESCRIPTION OF THE SERIES 2020 BONDS – Redemption Prior to Maturity". The Series 2020 Bonds are being issued in 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 2020 BONDS" herein.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. This Official Statement and any continuing disclosure documents of the Authority are intended to be made available prior to the issuance and sale of the Series 2020 Bonds through its senior underwriter, Piper Sandler & Co., 2100 Southbridge Parkway, Suite 650 Birmingham, Alabama 35209, 205-414-7511.

PURPOSE OF SERIES 2020 BONDS

General

In accordance with the terms and conditions of the Indenture, the Series 2020 Bonds will be issued in fully registered form. The Series 2020 Bonds are being issued in order to redeem and retire, on a current basis, the Refunded Series 2010 Bonds (which are outstanding in the aggregate principal amount of \$138,590,000), and to pay those costs of issuing the Series 2020 Bonds not paid with cash of the Authority.

Plan of Refunding

Series 2010 Bonds. The Series 2010 Bonds were issued under a Trust Indenture dated as of June 1, 1990, as supplemented and amended (the "1990 Indenture"), between the Authority and Synovus Bank, a Georgia banking corporation (as successor in title to First Commercial Bank), as Trustee (the "1990 Indenture Trustee" or "Synovus"). Under the 1990 Indenture, the Series 2010 Bonds may be redeemed and paid by the Board on July 1, 2020, and on any date thereafter, at and for a redemption price equal to the principal amount redeemed plus accrued interest to the date set for redemption. The Series 2010 Bonds are the only obligations of the Authority currently outstanding under the 1990 Indenture.

Escrow Trust Agreement. Upon issuance of the Series 2020 Bonds, the Authority and Synovus will enter into an Escrow Trust Agreement dated the date of the Series 2020 Bonds (the "Escrow Trust Agreement") under which proceeds from the Series 2020 Bonds, together with other funds of the Authority, will be deposited into a special account established therein (the "Escrow Fund") and used, along with any interest earnings thereon, to pay, redeem and retire the Refunded Series 2010 Bonds on August 10, 2020.

Verification Report. The adequacy of the cash and maturing principal and interest earned on the direct obligations of the United States of America or other securities to be put on deposit in the Escrow Fund for the redemption and payment of Refunded Series 2010 Bonds on August 10, 2020, and the actuarial yield on the Series 2020 Bonds, which computations support the conclusion that the Series 2020 Bonds are not "arbitrage bonds" under Section 148 of the Internal Revenue Code of 1986, as amended, will be verified by Terminus Analytics.

COVID-19

General

The outbreak of COVID-19, a respiratory disease caused by a novel strain of coronavirus, which initially resulted in international travel restrictions by the United States government, was eventually declared a pandemic by the World Health Organization on March 11, 2020, which resulted in a national and global focus to contain the disease by prohibiting non-essential travel and limiting person-to-person contact. Across the country, states and local governments, including the State of Alabama, issued "stay at home", "shelter in place", "safer at home" and similar orders designed to severely restrict movement outside the home and limit businesses and commercial activities to essential functions, which substantially reduced activities normally engaged or facilitated through air travel. Additionally, other countries have effectively closed their borders by restricting entry and exit to only essential travel.

The COVID-19 pandemic and resulting restrictions have severely disrupted, and continue to disrupt, the economies of the State of Alabama, the United States and other countries. Business failures, worker layoffs, and consumer and business bankruptcies are occurring and are expected into the reasonably foreseeable future. Volatility has occurred in domestic and international securities markets, many of which have lost significant value and may continue to decline.

The Airport, along with all other airports in the United States and abroad, has been acutely impacted by the broad-based economic shutdown resulting from efforts to mitigate the effects and spread of COVID-19, including massive reductions in flights and declines in passenger volumes. The outbreak has adversely affected domestic and international travel and travel-related industries. Airlines have reported unprecedented downturns in passenger volumes and have experienced reduced levels of passenger volumes which, in turn, has reduced and in many cases eliminated scheduled service.

Federal Relief Efforts

The United States government, the Federal Reserve Board and foreign governments are taking legislative and regulatory actions and implementing measures to mitigate the broad disruptive effects of the COVID-19 pandemic. The Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), approved by the United States Congress and signed by the President on March 27, 2020, is one of the legislative actions to address the crisis created by the COVID-19 pandemic and includes among its relief measures direct aid in the form of grants for airports as well as direct aid, loans and loan guarantees for passenger and cargo airlines. Additionally, on April 9, 2020, the Federal Reserve Board announced a \$500 billion program to provide state and certain local governments with access to short-term debt funding with the Federal Reserve acting as the lender.

Provisions of the CARES Act, which provide \$10 billion of grant assistance to airports, generally include the following: (i) \$3.7 billion to be allocated among all U.S. commercial service airports based on number of enplanements in calendar year 2018, (ii) \$3.7 billion to be allocated among all U.S. commercial service airports based on formulas that consider fiscal year 2018 debt service relative to other airports, and cash-to-debt service ratios, (iii) \$2.0 billion to be apportioned in accordance with Airport Improvement Program ("AIP") entitlement formulas, subject to CARES Act formula revisions, (iv) \$500 million to increase the federal share to 100% for grants awarded in federal fiscal year 2020 under certain grant programs including the AIP (the "Federal Share Increase"), and (v) \$100 million reserved for general aviation airports.

The FAA announced in April 2020 that it had allocated approximately \$18.75 million of grant assistance under the CARES Act to the Airport. The Airport may draw on such funds, on a reimbursement basis, for any purpose for which airport revenues may be lawfully used in accordance with FAA rules and regulations. As of June 11, 2020, the Airport has applied \$2.9 million for payment of maturing installments of debt service on the Series 2010 Bonds, and another \$2.4 million to cover payroll expenses, leaving a current balance of \$13.48 million. The Airport intends to utilize this balance to cover operating and similar expenses of the Airport, and views the CARES Act funding as improving the Airport's liquidity and strengthening its ability to withstand decreases in revenues during the 2020 fiscal year and in fiscal year 2021 that it anticipates as a result of the current and ongoing effects of the COVID-19 pandemic. There is no assurance that the CARES Act funding already designated to the Airport or otherwise available under the CARES Act will be sufficient to compensate the Airport for lost revenue resulting from the COVID-19 pandemic.

As a result of the Federal Share Increase, the Airport will receive an additional \$880,000 from the CARES Act. This increases total AIP funding for the Airport in 2020 from approximately \$8,860,000 to approximately \$9,740,000. The Airport is limited in its permitted use of such AIP funds for payment of certain projects (which are included within its Capital Improvement Plan). Eligible projects for these funds currently consist of (i) improvements to the glidescope at runway 24, (ii) demolition and abatement of certain vacant buildings on land of the Airport, and (iii) pavement and taxiway rehabilitation improvements at runway 18/36. The Airport may not use these AIP funds for operating expenses, payment of debt service or other needs of the Airport.

The Airport continues to evaluate and seek other available sources of state and federal aid as they become available. At this time, it is unclear whether legislative, regulatory and other governmental actions, including the CARES Act, will have the intended positive effects.

Liquidity and Financial Position of the Airport

The Airport has maintained a cash reserve that should help it to better withstand and navigate the financial impact of substantially reduced airline and non-airline revenues resulting from COVID-19. At June 30, 2019, unrestricted cash and investment balances for the Airport were \$72.7 million (audited). Based upon unaudited, internally prepared estimates, as of April 30, 2020, unrestricted cash and investment balances for the Airport were approximately \$64.0 million.

In December 2019, the Airport voluntarily applied over \$20,910,000 to pay-off two series of outstanding bonds prior to their scheduled maturities. See "Cost Cutting Efforts at the Airport" below. The early redemption of these securities is reflected in the decrease in the Airport's cash balances from June 30, 2019 to April 30, 2020.

Reduced Activities at the Airport

As has been the case with most airports throughout the United States, the Airport has experienced a tremendous decline in passenger volumes and airline and non-airline revenues as a result of the COVID-19 pandemic.

Passenger Traffic; Enplanements - Daily. Passenger traffic activity at the TSA checkpoint provides a reliable indicator of enplanements and overall activity at the Airport. The following chart presents daily TSA checkpoint activity at the Airport during the period from April 3, 2019 through June 11, 2019, compared to the period from April 1, 2020 through June 9, 2020.

**TSA Checkpoint Traffic
by Day-of-Week**

Day of Week	2019		2020		Difference	%Difference
	Date	Activity	Date	Activity		
Wednesday	3-Apr	3,890	1-Apr	236	(3,654)	-94%
Thursday	4-Apr	4,855	2-Apr	252	(4,603)	-95%
Friday	5-Apr	5,006	3-Apr	168	(4,838)	-97%
Saturday	6-Apr	2,844	4-Apr	224	(2,620)	-92%
Sunday	7-Apr	5,027	5-Apr	253	(4,774)	-95%
Monday	8-Apr	5,079	6-Apr	166	(4,913)	-97%
Tuesday	9-Apr	3,439	7-Apr	126	(3,313)	-96%
Wednesday	10-Apr	4,383	8-Apr	157	(4,226)	-96%
Thursday	11-Apr	5,644	9-Apr	162	(5,482)	-97%
Friday	12-Apr	5,307	10-Apr	206	(5,101)	-96%
Saturday	13-Apr	2,405	11-Apr	200	(2,205)	-92%
Sunday	14-Apr	4,690	12-Apr	171	(4,519)	-96%
Monday	15-Apr	4,927	13-Apr	247	(4,680)	-95%
Tuesday	16-Apr	3,485	14-Apr	181	(3,304)	-95%
Wednesday	17-Apr	4,079	15-Apr	122	(3,957)	-97%
Thursday	18-Apr	5,154	16-Apr	179	(4,975)	-97%
Friday	19-Apr	4,554	17-Apr	251	(4,303)	-94%
Saturday	20-Apr	2,221	18-Apr	285	(1,936)	-87%
Sunday	21-Apr	3,642	19-Apr	146	(3,496)	-96%
Monday	22-Apr	5,310	20-Apr	266	(5,044)	-95%
Tuesday	23-Apr	4,077	21-Apr	179	(3,898)	-96%
Wednesday	24-Apr	4,408	22-Apr	194	(4,214)	-96%
Thursday	25-Apr	4,948	23-Apr	185	(4,763)	-96%
Friday	26-Apr	5,006	24-Apr	300	(4,706)	-94%

Saturday	27-Apr	3,231	25-Apr	258	(2,973)	-92%
Sunday	28-Apr	5,493	26-Apr	289	(5,204)	-95%
Monday	29-Apr	5,402	27-Apr	250	(5,152)	-95%
Tuesday	30-Apr	4,210	28-Apr	277	(3,933)	-93%
Wednesday	1-May	4,606	29-Apr	318	(4,288)	-93%
Thursday	2-May	5,100	30-Apr	275	(4,825)	-95%
Friday	3-May	5,316	1-May	497	(4,819)	-91%
Saturday	4-May	3,892	2-May	357	(3,535)	-91%
Sunday	5-May	5,691	3-May	474	(5,217)	-92%
Monday	6-May	5,531	4-May	481	(5,050)	-91%
Tuesday	7-May	4,547	5-May	320	(4,227)	-93%
Wednesday	8-May	4,848	6-May	403	(4,445)	-92%
Thursday	9-May	5,276	7-May	416	(4,860)	-92%
Friday	10-May	5,300	8-May	552	(4,748)	-90%
Saturday	11-May	3,075	9-May	480	(2,595)	-84%
Sunday	12-May	4,684	10-May	598	(4,086)	-87%
Monday	13-May	5,562	11-May	595	(4,967)	-89%
Tuesday	14-May	4,514	12-May	483	(4,031)	-89%
Wednesday	15-May	4,807	13-May	512	(4,295)	-89%
Thursday	16-May	5,290	14-May	599	(4,691)	-89%
Friday	17-May	5,247	15-May	664	(4,583)	-87%
Saturday	18-May	3,342	16-May	552	(2,790)	-83%
Sunday	19-May	5,455	17-May	713	(4,742)	-87%
Monday	20-May	5,284	18-May	621	(4,663)	-88%
Tuesday	21-May	4,658	19-May	538	(4,120)	-88%
Wednesday	22-May	5,551	20-May	670	(4,881)	-88%
Thursday	23-May	5,813	21-May	735	(5,078)	-87%
Friday	24-May	5,728	22-May	808	(4,920)	-86%
Saturday	25-May	4,009	23-May	653	(3,356)	-84%
Sunday	26-May	4,141	24-May	630	(3,511)	-85%
Monday	27-May	4,979	25-May	828	(4,151)	-83%
Tuesday	28-May	5,153	26-May	873	(4,280)	-83%
Wednesday	29-May	5,003	27-May	746	(4,257)	-85%
Thursday	30-May	5,343	28-May	716	(4,595)	-86%
Friday	31-May	5,219	29-May	722	(4,392)	-84%
Saturday	1-June	3,782	30-May	727	(3,055)	-81%
Sunday	2-June	5,218	31-May	847	(4,371)	-84%
Monday	3-June	4,638	1-June	824	(3,814)	-82%
Tuesday	4-June	4,437	2-June	799	(3,638)	-82%
Wednesday	5-June	4,702	3-June	754	(3,948)	-84%
Thursday	6-June	5,314	4-June	841	(4,473)	-84%
Friday	7-June	5,272	5-June	929	(4,343)	-82%
Saturday	8-June	3,865	6-June	759	(3,106)	-80%
Sunday	9-June	4,914	7-June	1,003	(3,911)	-80%
Monday	10-June	5,077	8-June	1,068	(4,009)	-79%
Tuesday	11-June	5,026	9-June	939	(4,087)	-81%

As shown above, during the period between April 3, 2020 through early May 2020, daily activity at the checkpoint dropped to as low as 3% compared to the same day in 2019. Activity at the checkpoint has since increased to approximately 20% or less compared to the same day in 2019.

Passenger Traffic; Enplanements – Monthly Totals. The following chart presents monthly TSA checkpoint activity at the Airport for April and May 2019 compared to April and May 2020, along with activity for the month of June for the period from June 1 through June 9 of 2019 and 2020.

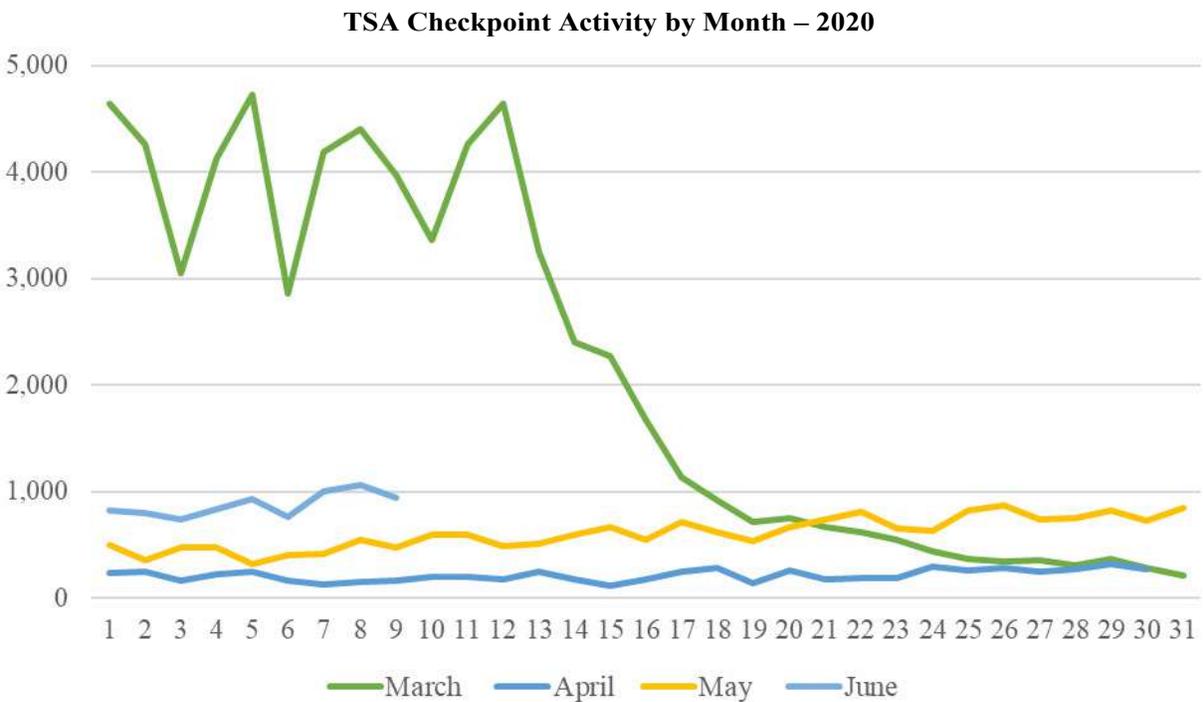
**TSA Checkpoint Traffic
by Month**

	2019	2020		
Month	Activity	Activity	Difference	%Difference
April	130,350 ⁽¹⁾	6,523	(123,827)	-95%
May	152,964	18,810	(134,155)	-88%
June	52,245	7,916	(44,329)	-85%

⁽¹⁾ Includes activity totals of 4,289 for April 1, 2019, and 3,345 for April 2, 2019, which are not reflected in the Day-of-Week comparison chart immediately above.

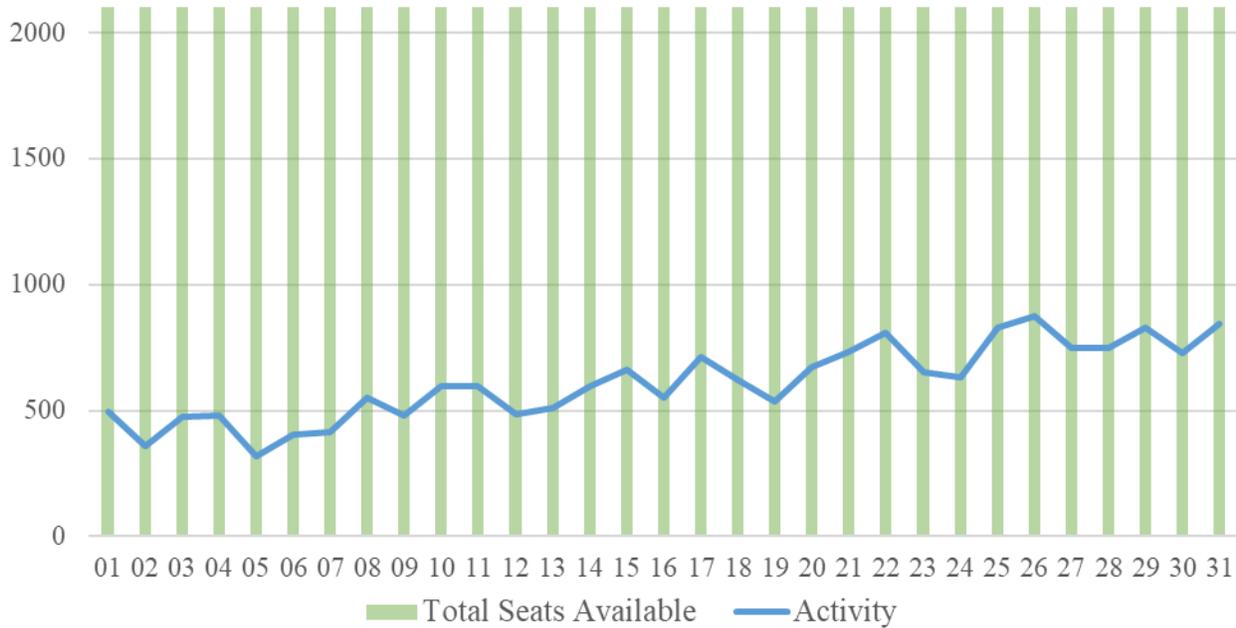
The Authority anticipates significantly reduced levels of scheduled airline service, as compared to prior years, to continue, and the Authority cannot predict how long it will take, if ever, for such activities to return to levels prior to declaration of the COVID-19 pandemic. Moreover, as of June 11, 2020, there have been wide reports of increases and spikes in COVID-19 cases within the State of Alabama and elsewhere throughout the United States, which could impair recent progress in the rate of enplanements and other improving activity at the Airport as described in this Official Statement. The Authority cannot predict if there will be subsequent nationwide orders that restrict air travel between the states, which would lead to a cessation of operations at the Airport requiring significant cost-cutting measures.

The following graph presents daily Airport activity at the TSA checkpoint for the months of March, April and May 2020.



The following graph presents Airport activity at the TSA checkpoint for the month of May 2020, as compared to overall 2020 seat capacity for airlines operating at the Airport.

May 2020 Activity at TSA Checkpoint vs. Total Seats Available



Landed Weights. Landed weights (shown in millions of pounds) at the Airport by airline for the period from January 1, 2019 to April 30, 2019, as compared to the same period in 2020, are as follows:

Airline	01/01/2019	01/01/2020
	-	-
	04/30/2019	04/30/2020
American/US Airways	141,694	132,889
Delta	189,556	127,687
Southwest	179,672	147,280
United	66,329	51,434
Frontier	8,981	--
Via	882	--
FedEx	16,830	17,226
MountainAir	3,048	3,106
UPS	33,212	33,924
Total	640,204	513,546

Air Carrier Activity at the Airport. Domestic air travel throughout the nation has been severely curtailed by the COVID-19 pandemic. Airlines at the Airport are continually evaluating their flight schedules, resulting in flight cancellations on a daily basis and ongoing revisions to flight schedules for spring and summer 2020.

The table below presents the number of flights of airlines operating at the Airport prior to declaration of the COVID-19 pandemic and currently in effect.

Airline	Total Before COVID-19	Current	Total Suspended Flights
American	24	5	19
United	10	2	8
Delta	17	3	14
Southwest	13	3	10
Total	64	13	51

Non-Airline Activities. Following declaration by the World Health Organization ("WHO") of the coronavirus pandemic, the Airport experienced significant decline in demand for food, beverage, retail items and other concession activities, rental cars, and parking and ground transportation services at the Airport. Revenue declines for these services have been approximately 34% for the period from January 2020 through April 2020 in comparison to the same period in 2019.

On May 23, 2020, Hertz Global Holdings Inc. ("Hertz"), one of the nation's largest car-rental companies, filed for bankruptcy protection. Hertz, which also operates the Dollar and Thrifty brands at the Airport, accounts for approximately 28% of the market share at the Airport. In fiscal year 2019, the Airport received \$3.3 million in revenues generated by the operations of Hertz. Hertz has sought special court authority to pay certain fees and charges owed to airport authorities that arose prior to the filing, including concession fees and customer facility charges. The company has indicated that it intends to continue to pay those same fees and charges to airports going forward.

It is possible that bankruptcies or reductions in operations of concessionaires and other non-airline entities operating at the Airport, such as Hertz, could have an adverse impact on the Authority.

The following chart presents daily parking revenue generated at the Airport during the period from May 3, 2019 through June 11, 2019, compared to the period from May 1, 2020 through June 9, 2020.

**Parking Revenue at Airport
by Day-of-Week**

Day of Week	2019		2020		\$Difference	%Difference
	Date	Revenue	Date	Revenue		
Friday	3-May	\$50,721	1-May	\$3,335	(\$47,386)	-93%
Saturday	4-May	\$30,842	2-May	\$2,438	(\$28,404)	-92%
Sunday	5-May	\$47,302	3-May	\$4,002	(\$43,300)	-92%
Monday	6-May	\$28,195	4-May	\$2,212	(\$25,983)	-92%
Tuesday	7-May	\$25,456	5-May	\$2,829	(\$22,627)	-89%
Wednesday	8-May	\$37,766	6-May	\$2,891	(\$34,875)	-92%
Thursday	9-May	\$46,891	7-May	\$3,878	(\$43,013)	-92%
Friday	10-May	\$72,733	8-May	\$4,579	(\$68,154)	-94%
Saturday	11-May	\$33,909	9-May	\$3,740	(\$30,169)	-89%
Sunday	12-May	\$40,767	10-May	\$3,892	(\$36,875)	-90%
Monday	13-May	\$29,181	11-May	\$4,700	(\$24,481)	-84%
Tuesday	14-May	\$26,358	12-May	\$3,844	(\$22,514)	-85%
Wednesday	15-May	\$35,630	13-May	\$2,932	(\$32,698)	-92%
Thursday	16-May	\$49,650	14-May	\$2,906	(\$46,744)	-94%
Friday	17-May	\$59,640	15-May	\$3,907	(\$55,733)	-93%
Saturday	18-May	\$31,885	16-May	\$2,812	(\$29,073)	-91%
Sunday	19-May	\$50,005	17-May	\$7,461	(\$42,544)	-85%
Monday	20-May	\$37,615	18-May	\$5,079	(\$32,536)	-86%

Tuesday	21-May	\$35,343	19-May	\$2,484	(\$32,859)	-93%
Wednesday	22-May	\$41,898	20-May	\$3,487	(\$38,411)	-92%
Thursday	23-May	\$58,449	21-May	\$3,061	(\$55,388)	-95%
Friday	24-May	\$53,115	22-May	\$5,227	(\$47,888)	-90%
Saturday	25-May	\$29,672	23-May	\$4,230	(\$25,442)	-86%
Sunday	26-May	\$32,855	24-May	\$4,237	(\$28,618)	-87%
Monday	27-May	\$44,664	25-May	\$8,462	(\$36,202)	-81%
Tuesday	28-May	\$39,577	26-May	\$8,576	(\$31,001)	-78%
Wednesday	29-May	\$24,856	27-May	\$3,578	(\$21,278)	-86%
Thursday	30-May	\$35,978	28-May	\$3,831	(\$32,147)	-89%
Friday	31-May	\$49,745	29-May	\$5,512	(\$44,233)	-89%
Saturday	1-June	\$34,174	30-May	\$3,841	(\$30,333)	-89%
Sunday	2-June	\$45,191	31-May	\$7,585	(\$37,606)	-83%
Monday	3-June	\$34,649	1-June	\$4,890	(\$29,759)	-86%
Tuesday	4-June	\$38,499	2-June	\$5,793	(\$32,706)	-85%
Wednesday	5-June	\$37,189	3-June	\$5,531	(\$31,658)	-85%
Thursday	6-June	\$52,744	4-June	\$4,851	(\$47,893)	-91%
Friday	7-June	\$61,596	5-June	\$7,908	(\$53,688)	-87%
Saturday	8-June	\$33,294	6-June	\$6,588	(\$26,706)	-80%
Sunday	9-June	\$46,465	7-June	\$9,801	(\$36,664)	-79%
Monday	10-June	\$38,882	8-June	\$7,328	(\$31,554)	-81%
Tuesday	11-June	\$34,295	9-June	\$4,911	(\$29,384)	-86%

The following chart presents daily revenues generated at the Airport from concession sales reported by HMS Host during the period from May 3, 2019 through June 13, 2019, compared to the period from May 1, 2020 through June 10, 2020. Nine of the ten HMS Host food and beverage locations have been temporarily closed since late March 2020.

**HMS Host Concession Revenues
by Day-of-Week**

Day of Week	2019		2020		\$ Difference	%Difference
	Date	Sales	Date	Sales		
Friday	3-May	\$18,074	1-May	\$1,140	(\$16,934)	-94%
Saturday	4-May	\$11,028	2-May	\$471	(\$10,557)	-96%
Sunday	5-May	\$24,155	3-May	\$811	(\$23,344)	-97%
Monday	6-May	\$24,534	4-May	\$725	(\$23,809)	-97%
Tuesday	7-May	\$20,206	5-May	\$507	(\$19,699)	-97%
Wednesday	8-May	\$26,956	6-May	\$796	(\$26,160)	-97%
Thursday	9-May	\$30,721	7-May	\$782	(\$29,939)	-97%
Friday	10-May	\$27,014	8-May	\$892	(\$26,122)	-97%
Saturday	11-May	\$14,014	9-May	\$758	(\$13,256)	-95%
Sunday	12-May	\$18,947	10-May	\$984	(\$17,963)	-95%
Monday	13-May	\$22,930	11-May	\$703	(\$22,227)	-97%
Tuesday	15-May	\$19,352	12-May	\$582	(\$18,770)	-97%
Wednesday	16-May	\$21,338	13-May	\$837	(\$20,501)	-96%
Thursday	17-May	\$25,805	14-May	\$860	(\$24,945)	-97%
Friday	18-May	\$26,427	15-May	\$1,060	(\$25,367)	-96%
Saturday	19-May	\$24,746	16-May	\$667	(\$24,079)	-97%
Sunday	20-May	\$23,476	17-May	\$1,129	(\$22,347)	-95%
Monday	21-May	\$20,983	18-May	\$941	(\$20,042)	-96%
Tuesday	22-May	\$23,784	19-May	\$746	(\$23,038)	-97%
Wednesday	23-May	\$28,225	20-May	\$1,093	(\$27,132)	-96%
Thursday	24-May	\$26,156	21-May	\$1,245	(\$24,911)	-95%
Friday	25-May	\$14,468	22-May	\$1,403	(\$13,065)	-90%

Saturday	26-May	\$12,947	23-May	\$1,074	(\$11,873)	-92%
Sunday	27-May	\$18,686	24-May	\$1,002	(\$17,684)	-95%
Monday	28-May	\$19,485	25-May	\$1,208	(\$18,277)	-94%
Tuesday	29-May	\$20,374	26-May	\$1,177	(\$19,197)	-94%
Wednesday	30-May	\$23,516	27-May	\$1,165	(\$22,351)	-95%
Thursday	31-May	\$22,997	28-May	\$1,302	(\$21,695)	-94%
Friday	1-June	\$12,781	29-May	\$1,484	(\$11,297)	-88%
Saturday	2-June	\$20,561	30-May	\$1,240	(\$19,321)	-94%
Sunday	3-June	\$18,375	31-May	\$1,289	(\$17,086)	-93%
Monday	4-June	\$20,775	1-June	\$1,195	(\$19,580)	-94%
Tuesday	5-June	\$24,302	2-June	\$1,455	(\$22,847)	-94%
Wednesday	6-June	\$28,715	3-June	\$1,452	(\$27,263)	-95%
Thursday	7-June	\$28,388	4-June	\$1,367	(\$27,021)	-95%
Friday	8-June	\$24,631	5-June	\$1,932	(\$22,699)	-92%
Saturday	9-June	\$23,097	6-June	\$1,316	(\$21,781)	-94%
Sunday	10-June	\$22,116	7-June	\$1,435	(\$20,681)	-94%
Monday	11-June	\$22,804	8-June	\$1,444	(\$21,360)	-94%
Tuesday	12-June	\$27,575	9-June	\$1,546	(\$26,029)	-94%
Wednesday	13-June	\$30,177	10-June	\$1,437	(\$28,740)	-95%

Cost Cutting Efforts at the Airport

Since the determination by the WHO that the COVID-19 virus spread was a pandemic, the Authority has undertaken a significant effort to reduce cost and expenses. The Authority implemented a COVID-19 action plan aimed at reducing cost and is taking the following cost cutting measures:

- No staff travel to conferences or training sessions until further notice.
- No new hires unless an exception is made for a critical position by the President & CEO of the Airport.
- 2020 merit raises have been deferred to calendar year 2021.
- No overtime unless preapproved by the Chief Operating Officer or the President & CEO of the Airport.
- Only operationally essential expenses and or purchases will be made. All expenses are approved by the President & CEO of the Airport in advance.
- Any improvement project that is funded solely by the Authority has been postponed until further notice.

Authority staff is reviewing all contracts with vendors to see which, if any, may be postponed. A planned acquisition of vacant land has been postponed.

In addition to the above, all contracts and services were reviewed and a determination was made if that service was essential, and if not, the contract was terminated. If the project was essential, the Authority negotiated reductions to the agreement to save money. The net result of terminating or amending other service contracts resulted in monthly saving of over \$170,000.

Redemption of Outstanding Indebtedness. Although not triggered by COVID-19, in November 2019 the Authority applied approximately \$20,910,000 in cash on hand to defease, redeem and retire all of its Airport Revenue Refunding Bonds, Series 2003-A (Non-AMT), then outstanding in the principal amount of \$7,325,000 (the "Series 2003-A Bonds"), and all of its Airport Revenue Refunding Bonds, Series 2007 (AMT), then outstanding in the principal amount of \$13,585,000 (the "Series 2007 Bonds"). Principal of the Series 2003-A Bonds and the Series 2007 Bonds matured annually through 2023 and 2026, respectively. By redeeming and retiring these securities, the Authority lowered its expenses of operation by reducing its overall interest costs.

Unaudited Revenues and Expenses at the Airport

10 Month Period Comparison. The following table shows unaudited revenues and expenses at the Airport for the period from July 1, 2018 through April 30, 2019, compared to the period from July 1, 2019 through April 30, 2020.

Year to Date Unaudited Statement of Net Position For the Ten Months Ending Thursday, April 30, 2020

	July 1, 2018 to April 30, 2019	July 1, 2019 to April 30, 2020
OPERATING REVENUES		
Aviation Revenue		
Landing Fees*	\$9,523,276	\$8,255,430
Airline Space Rentals	6,179,034	6,411,751
Other Airline Fees & Charges	902,568	996,467
Subtotal Aviation Revenues	16,604,878	15,663,648
Concession Revenues		
Automobile Parking	12,826,217	11,285,679
Rental Car Operations	4,917,743	5,033,660
Restaurant and Retail	1,725,059	1,713,495
Ground Transportation	214,427	218,734
Terminal Advertising	281,971	221,879
Vending	29,846	46,413
Subtotal Concession Revenues	19,995,263	18,519,860
Airport Rentals		
Terminal Office Space	361,506	363,148
Building Leases	2,112,113	2,198,676
Subtotal Airport Rentals	2,473,619	2,561,824
Aviation Services		
Airfield Operations	359,451	400,727
Fuel Commissions and Sales	322,700	326,975
Subtotal Aviation Services	682,151	727,702
Miscellaneous Revenues		
Airport Services Sold	543,689	475,890
Miscellaneous Income	16,238	72,105
Subtotal Miscellaneous Revenues	559,927	547,995
TOTAL OPERATING REVENUES	40,315,838	38,021,029

* Under the Authority's Airline Use and Lease agreement, landing fees are set based on estimated landed weight, expenses, and credited revenues for the coming fiscal year. After the end of the fiscal year, the agreement provides for an adjustment in landing fees based on the difference between estimated and actual landed weight and expenses. Interim financial statements do not reflect this annual adjustment. In a period where landed weight is less than expected or expenses are greater than anticipated, this would lead to a payment by the airlines to the Authority. Landing fees will also be impacted by the application of the CARES act funds. The Authority has not estimated the amount of any annual adjustment in its interim financial statement. As of June 1, 2020, terminal rent for April 2020 has been paid by all carriers, and all but a minor portion of landing fees charged in March 2020 and due in April 2020 (landing fees being collected one month in arrears) have been collected.

	July 1, 2018 to April 30, 2019	July 1, 2019 to April 30, 2020
OPERATING EXPENSES		
Salaries & Benefits		
Salaries & Wages	\$7,360,129	\$6,798,715
Employee Benefits	2,650,285	2,711,930
OPEB Benefits	-	(17,325)
Pension Expenses	-	-
Subtotal Salaries & Benefits	10,010,414	9,493,320
Professional/Contracted Services		
Professional Fees	1,871,134	2,163,717
Maintenance & Repairs	617,405	500,886
Facilities & Grounds	404,100	485,508
Police, Fire and Security	4,480,562	3,719,484
ARFF	--	--
Technical Support Contracts	333,051	338,026
Other Contracts	804,850	776,646
Subtotal Professional/Contracted Services	8,511,102	7,984,267
Materials/Supplies/Maintenance		
Office Supplies	91,991	80,756
Facilities & Grounds	8,239	30,069
Uniforms	99,981	108,329
Airfield Supplies	103,864	228,479
Technical/Trade Supplies	466,271	454,338
Vehicle/Fuel Supplies	211,373	227,565
Technology Supplies (IT/ET)	99,939	156,872
Subtotal Materials/Supplies/Maintenance	1,081,658	1,286,408
Other Operating Expenses		
Utilities	938,857	1,612,329
Employee Relations	131,288	127,833
Public Relations	275,911	297,963
Furniture, Fixtures and Equipment (FF&E)	34,976	36,863
Insurance	522,937	596,168
Travel, Training & Meeting	138,193	81,350
Permits, Licenses and Fees	-	26,472
Dues & Subscriptions	142,073	116,390
Airport Services	540,627	613,655
Equipment Rental	50,504	86,980
Other Operating Expenses	426,980	391,703
Subtotal Other Operating Expenses	3,202,346	3,987,706
TOTAL OPERATING EXPENSES	22,805,520	22,751,701

RESULTS FROM OPERATIONS BEFORE DEPRECIATION	17,510,318	15,269,328
Depreciation Expense	14,465,310	14,575,353
RESULTS FROM OPERATIONS	3,045,008	693,975
NON OPERATING REVENUES/ (EXPENSES)		
Interest Income	663,813	596,922
Settlement - Insurance & Other	9,321	(5,044)
Gain/(Loss) on Investments	241,921	469
PFC Interest Income	2,765	16,664
PFC Revenue	5,006,040	4,130,653
CFC Interest Income	115,619	50,609
CFC Revenue	4,219,413	3,650,850
FAA CARES ACT Contributions	-	-
FAA Contributions	1,369,178	3,019,851
Interest Expense	(7,446,355)	(6,811,574)
NON OPERATING REVENUES ACTIVITIES	4,181,715	4,649,400
CHANGE IN NET POSITION	<u>\$7,226,723</u>	<u>\$5,343,375</u>

Monthly Statement of Net Position for February, March and April, 2020. The following table shows the unaudited net position of the Airport for each of February 2020, March 2020, and April 2020.

**Unaudited Statement of Net Position
For the Months of February 2020, March 2020, and April 2020**

	Feb. 2020	Mar. 2020	Apr. 2020
OPERATING REVENUES			
Aviation Revenue			
Landing Fees	\$801,148	\$814,858	\$324,425
Airline Space Rentals	635,242	643,295	634,745
Other Airline Fees & Charges	105,474	107,076	58,028
Subtotal Aviation Revenues	1,541,865	1,565,229	1,017,198
Concession Revenues			
Automobile Parking	1,159,690	824,579	68,936
Rental Car Operations*	428,974	447,886	407,705
Restaurant and Retail*	161,648	160,800	161,738
Ground Transportation	17,662	16,760	12,494
Terminal Advertising	6,615	7,670	3,921
Vending	4,564	4,336	3,698
Subtotal Concession Revenues	1,779,152	1,462,030	658,492
Airport Rentals			
Terminal Office Space	36,315	36,315	36,315
Building Leases	198,612	262,882	213,290
Subtotal Airport Rentals	234,927	299,197	249,604
Aviation Services			
Airfield Operations	35,857	36,720	41,846
Fuel Commissions and Sales	29,830	30,314	21,392
Subtotal Aviation Services	65,687	67,035	63,238
Miscellaneous Revenues			
Airport Services Sold	47,967	63,403	28,621
Miscellaneous Income	8,239	5,825	4,331
Subtotal Miscellaneous Revenues	56,206	69,228	32,952
TOTAL OPERATING REVENUES	3,677,838	3,462,720	2,021,484
OPERATING EXPENSES			
Salaries & Benefits			
Salaries & Wages	647,572	573,249	522,108
Employee Benefits	260,718	235,887	242,959
OPEB Benefits	(1,052)	(362)	(2,308)
Pension Expenses	-	-	-
Subtotal Salaries & Benefits	907,238	808,775	762,759
Professional/Contracted Services			
Professional Fees	203,337	204,204	141,981
Maintenance & Repairs	55,776	36,476	18,229
Facilities & Grounds	49,042	85,030	2,332
Police, Fire and Security	375,766	375,766	337,588
ARFF	--	--	--
Technical Support Contracts	32,062	29,473	6,100
Other Contracts	80,485	80,485	52,281
Subtotal Professional/Contracted Services	796,468	811,434	558,512
Materials/Supplies/Maintenance			
Office Supplies	20,278	7,069	144
Facilities & Grounds	4,551	7,141	-
Uniforms	9,857	10,355	12,680

Airfield Supplies	16,075	16,929	13,578
Technical/Trade Supplies	52,396	49,542	20,440
Vehicle/Fuel Supplies	20,265	13,756	16,584
Technology Supplies (IT/ET)	14,265	8,924	2,404
Subtotal Materials/Supplies/Maintenance	137,687	113,717	65,832
Other Operating Expenses			
Utilities	140,778	149,073	82,728
Employee Relations	16,521	747	268
Public Relations	73,291	12,819	1,876
Furniture, Fixtures and Equipment (FF&E)	308	4,893	-
Insurance	59,617	59,617	59,617
Travel, Training & Meeting	18,951	5,014	-
Permits, Licenses and Fees	-	26,472	-
Dues & Subscriptions	18,751	784	27,205
Airport Services	47,681	46,817	15,683
Equipment Rental	7,662	5,067	5,480
Other Operating Expenses	37,589	45,035	24,699
Subtotal Other Operating Expenses	421,151	356,338.4	217,556
TOTAL OPERATING EXPENSES	2,262,544	2,090,264.4	1,604,660
RESULTS FROM OPERATIONS BEFORE DEPRECIATION	1,415,294	1,372,456	416,824
Depreciation Expense	1,456,647	1,457,883	1,457,336
RESULTS FROM OPERATIONS	(41,353)	(85,428)	(1,040,512)
NON-OPERATING REVENUES / (EXPENSES)			
Interest Income	39,930	39,910	5,625
Settlement - Insurance & Other	-	6,633	(5,487)
Gain/(Loss) on Investments	(4,642)	5,670	-
PFC Interest Income	1,829	1,160	788
PFC Revenue	540,012	418,854	24,209
CFC Interest Income	1,777	473	150
CFC Revenue	229,525	452,331	24,379
FAA CARES ACT Contributions	-	-	-
FAA Contributions	16,060	250,232	213,638
Interest Expense	(642,502)	(642,502)	(630,184)
NON-OPERATING REVENUES ACTIVITIES	181,988	532,761	(366,882)
CHANGE IN NET POSITION	\$ 140,635	\$447,333	\$ (1,407,394)

* Revenues collected one month in arrears (*i.e.*, April figures reflect charges levied during the month of March). May 2020 concession revenues for Rental Car Operations and for Restaurant & Retail are expected to decline significantly from amounts shown in the prior months for 2020.

Fiscal Year 2021 Budget

The Authority has not yet prepared a budget for the fiscal year ending June 30, 2021. The Authority typically prepares a fiscal year budget by close of June of the immediately preceding fiscal year. As a result of COVID-19 and the impact the associated pandemic has had on finances and operations at the Airport, the Authority has determined it may need at least one additional month of operating data to properly prepare and present for Board approval the budget for fiscal year 2021. Consequently, the earliest a budget will be prepared for fiscal year 2021 will be late July 2020.

The Airline Industry

Air travel largely ground to a halt following the WHO's declaration of COVID-19 as a pandemic as travelers grew wary about potentially exposing themselves to coronavirus. Many airlines resorted to flying mostly empty flights. Even though the airline industry received approximately \$50 billion (approximately \$25 billion in payments under the CARES Act's payroll support program, and approximately \$25 billion in loans) under the CARES Act, experts of the airline industry have shown and expressed concern over the near and reasonably foreseeable future of the airline industry.

For example, on May 10, 2020, The New York Times reported that even as Delta Airlines and other major airlines in the United States dramatically slash schedules, they are averaging just 23 passengers on each domestic flight and losing \$350 million to \$400 million a day as expenses like payroll, rent and aircraft maintenance far exceed the money they are bringing in. The story includes a report from Airlines for America, a trade group, that passenger traffic is down about 94 percent and half of the industry's 6,215 planes are parked at major airports and deserted airstrips. In mid-May 2020, Warren Buffett revealed that Berkshire Hathaway had sold off all of its holdings in the airline sector, including stock in Delta Airlines, American Airlines, and Southwest Airlines. [During an appearance on NBC's "Today" show](#), Boeing Corporation's Chief Executive David Calhoun suggested that a major airline will "*most likely*" "go under" as a result of the coronavirus pandemic, and added that it could take three to five years for the industry to recover to the passenger levels seen before the pandemic.

There have been more recent indications of greater optimism for the industry. On June 4, 2020, *Barron's* reported significant increases in the share prices of various major airlines. In the same article, Barron's reported the chief executive officer of Delta indicating that the airline's flight schedule in July 2020 is expected to be "around double that of May".

Overall, it is not possible for the Authority to know or predict the future of the airline industry, and it is possible that the recent uptick in airline activity and performance at the Airport may be temporary. As also noted elsewhere in this Official Statement, the bankruptcy of an airline with significant operations at the Airport, or reductions of service from such an airline, would likely have a material adverse effect on future operations at the Airport, Authority revenues, and the cost to the other airlines operating at the Airport. See "RISK FACTORS AND INVESTMENT CONSIDERATIONS" herein.

Operational Changes and Stakeholder Assistance

The Authority has made certain operation changes to protect the organization from the spread of the COVID-19 virus.

- There will be no in person meetings with vendors and or contractors. Teleconferencing and video conferencing will be used instead. This procedure is designed to protect key staff and ensure leadership continuity.
- Authority staff has been cleaning and disinfecting the entire terminal every night. A company was hired to train Authority staff on the chemicals and techniques for two weeks at a cost of \$10,000. Since the end of March, Authority staff has been performing the work at no additional cost to the airport.

This cost cutting effort will result in lower operating cost to the airlines under the current Airport Use Agreement. Specifically, the Authority has used \$5,273,088.74 of the \$18,745,394 allocated to it in CARES Act funds to pay \$2,898,553.14 in debt service and \$2,374,535.60 to cover payroll expenses for the months of March, April and May 2020. The result is that these expenditures will not be incurred by the airlines based on the cost center allocation of the rates and charges formula in the Airline Use Agreements when the year-end adjustment calculations are made.

The Authority has provided minimum annual guarantee (MAG) relief for food concessions, retail and rental cars during April 2020, May 2020 and June 2020. The counterparties to these arrangements are still required to pay for space rentals and a percentage of revenues. The Authority will revisit this relief at the end of June 2020.

Other

The Authority cannot predict (i) the scope, duration or extent of the COVID-19 pandemic or another outbreak or pandemic; (ii) the scope or duration of additional restrictions or warnings related to air travel, gatherings or any other activities, and the duration or extent to which airlines will reduce services at the Airport, or whether airlines will cease operations at the Airport or shut down in response to such restrictions or warnings; (iii) what additional short or long-term effects the restrictions and warnings imposed as a result of the COVID-19 pandemic may have on air travel, including to and from the Airport, the retail and services provided by Airport concessionaires, Airport costs or Airport revenues; (iv) to what extent the COVID-19 pandemic or another outbreak or pandemic may disrupt the local, state, national or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Airport-related construction, the cost, sources of funds, schedule or implementation of the Airport's capital improvement plan or other Airport operations; (v) the extent to which the COVID-19 pandemic or another outbreak or pandemic, or the resultant disruption to the local, state, national or global economy, may result in changes in demand for air travel, or may have an impact on the airlines or concessionaires serving the Airport, or the airline and travel industry, generally; (vi) whether or to what extent the Airport may provide deferrals, forbearances, adjustments or other changes to the Airport's arrangements with its tenants, Airport concessionaires and others; or (vii) whether any of the foregoing may have a material adverse effect on the finances and operations of the Airport.

Prospective investors should assume that the restrictions and limitations related to COVID-19, and the current upheaval to the air travel industry and the national and global economies, will continue at least over the near term, recovery may be prolonged and, therefore, have an adverse impact on Airport revenues. Future outbreaks, pandemics or other events outside the Airport's control may further reduced demand for travel, which in turn could cause a decrease in passenger activity at the Airport and declines in Airport revenues.

ESTIMATED SOURCES AND USES OF PROCEEDS OF SERIES 2020 BONDS

The following table describes the estimated sources and uses of funds from the sale of the Series 2020 Bonds:

Sources of Funds

Principal amount of Series 2020 Bonds	\$102,130,000.00
Plus original issue premium	<u>19,959,828.20</u>
Total Sources	\$122,089,828.20

Uses of Funds

Deposit to Escrow Fund for Refunded Series 2010 Bonds	\$120,235,413.29
Issuance expenses (includes underwriting fees, rating agency fees, premiums for municipal bond insurance policy and debt service reserve fund policy, legal, verification, and other issuance expenses) not paid with cash of the Authority	<u>1,854,414.91</u>
Total Uses	\$122,089,828.20

DESCRIPTION OF THE SERIES 2020 BONDS

The following is a summary of certain provisions of the Series 2020 Bonds, including terms relating to the redemption of the Series 2020 Bonds. Reference is hereby made to the Indenture, the form of which is attached hereto as APPENDIX C – "FORM OF THE INDENTURE", for the detailed provisions pertaining to the Series 2020 Bonds, Revenues available and pledged for payment of debt service on the Bonds, and other material terms and provisions concerning the Indenture and the rights of holders of the Bonds.

General

In accordance with the terms and conditions of the Indenture, the Series 2020 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 2020 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 2020 Bonds from the date of their initial delivery and will be payable semiannually on July 1, 2020, and on each January 1 and July 1 thereafter (each such date, an "Interest Payment Date"). Interest on each Series 2020 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 2020 Bonds shall be payable at maturity or earlier redemption as provided in the Indenture.

Method and Place of Payment

The Series 2020 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 2020 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 2020 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 2020 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 2020 Bonds at the corporate trust office of the Trustee (Regions Bank) located in the City of Birmingham, Alabama (or its successors as Trustee under the Indenture).

Redemption Prior to Maturity

Optional Redemption. Those of the Series 2020 Bonds having a stated maturity on or after July 1, 2031, 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, 2030, 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 2020 Bonds may be redeemed only in installments of \$5,000 or any integral multiple thereof. If less than all of the Series 2020 Bonds are to be called for redemption on any redemption date, the Authority shall specify the maturity or maturities from which the Series 2020 Bonds to be redeemed shall be selected. In the event that less than all the Series 2020 Bonds of a particular maturity are redeemed and prepaid on a redemption date, the Trustee shall select by lot the Series 2020 Bonds (or portions of the principal thereof) of such maturity to be redeemed and prepaid. The redemption of Series 2020 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 2020 Bonds called for redemption as may be required thereby.

Registration, Transfer and Exchange

The Series 2020 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 2020 Bonds. Purchases by Beneficial Owners of the Series 2020 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 Official Statement. Provision is made in the Indenture for the exchange of the Series 2020 Bonds for a like aggregate principal amount of Series 2020 Bonds of the same maturity and interest rate and in authorized denominations, all upon the terms and subject to the conditions set forth in the Indenture.

Each Series 2020 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 2020 Bond to the Trustee for cancellation, and upon any such transfer a new Series 2020 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 2020 Bond, shall consent and agree and shall be estopped to deny that, insofar as the Authority and the Trustee are concerned, such Series 2020 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 2020 Bonds during the period of fifteen (15) days next preceding any Interest Payment Date; and in the event that a Series 2020 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 2020 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 2020 Bond is registered shall to the extent thereof fully discharge and satisfy all liability for the same. Any transferee of a Series 2020 Bond takes it subject to all payments of principal and interest in fact made with respect hereto.

SECURITY FOR THE SERIES 2020 BONDS

Source of Payment

The payment of all obligations due under the Series 2020 Bonds is secured under the Indenture by the pledge of (i) Net Revenues, (ii) monies required to be deposited into the Revenue Account, the Bond Fund, the Reserve 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 2020 Bonds under the Indenture. As used herein and in the Indenture, "Net Revenues" are Revenues (including any transfers of funds to the Revenue Account) less Operating Expenses. See APPENDIX C – "FORM OF THE INDENTURE" – "Section 1.1. Definitions" for the definitions for "Revenues" and "Net

Revenues". The Indenture permits the Authority to cause the release of certain amounts otherwise constituting "Revenues" upon satisfaction of certain conditions. See "Released Revenues" below.

The Series 2020 Bonds are secured by the Net Revenues on a parity of lien with 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 2020 Bonds is expected to be paid by the Authority from PFC Monies, but only to the extent available for such purpose and allocable to those portions of the Series 2020 Bonds proceeds used to finance PFC Eligible Projects. See "Commitment of Certain PFC Monies – PFC Account" hereunder.

Special and Limited Obligations

THE SERIES 2020 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 2020 BONDS AND ANY ADDITIONAL BONDS HEREAFTER ISSUED 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 2020 BONDS IS EXPECTED TO BE PAID FROM PFC MONIES. THE SERIES 2020 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 2020 BONDS. THE SERIES 2020 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 its then-current 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 during the period from November 4, 2010 through July 1, 2031.

As of the fiscal quarter ended December 31, 2019, the Authority had collected and used \$45,014,330 of its authority under the 2010 PFC Application, leaving \$106,485,670 of remaining authority. All of the monies so collected have been used to pay debt service on the Series 2010 Bonds. The Authority expects to use part of the PFC Monies it receives to pay a portion of the debt service on the Series 2020 Bonds; however, 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 (collectively, the "PFC Monies"), are pledged as security for the Series 2020 Bonds or otherwise subject to the lien of the Indenture.

Commitment of Certain PFC Monies – PFC Account

Under the Indenture, the Authority has covenanted and agreed to maintain the PFC Account until such time as the Series 2020 Bonds are no longer outstanding under the Indenture. As set forth in the 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 2020 BONDS OR ANY OTHER BONDS.**

The Authority expects for each annual period ending on July 1 (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 amounts that will aggregate approximately \$4,500,000 for each Bond Year (though in no event more

than debt service due during such Bond Year), and (ii) to transfer the amounts so withdrawn to the Trustee for immediate deposit in the Bond Fund to be used solely for the payment of a portion of the principal and/or interest payable on the Series 2020 Bonds; provided, however, (1) any excess funds remaining in the PFC Account after the monthly withdrawals and transfers required to be made under the Indenture may be withdrawn by the Authority and used for any purpose, other than payment of debt service on the Series 2020 Bonds, for which PFC Monies may be lawfully expended, and (2) in its discretion, the Authority may elect to increase or decrease the amount to be transferred from the PFC Account to the Bond Fund on any monthly withdrawal date during any Bond Year, though any such adjustment will be made in a manner consistent with any then applicable restriction of the FAA on the Authority's ability to collect and apply PFC's to qualified improvements and debt service on the Series 2020 Bonds.

Any purchaser of the Series 2020 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 funds for payment of debt service for the Series 2010 Bonds (and, by extension, the Series 2020 Bonds) may not exceed \$151,500,000.

PFC Monies may not be sufficient for all expected transfers into the Bond Fund as aforesaid if collections or PFCs are less than expected or if 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.

All funds so transferred from the PFC Account to the Bond Fund shall be used solely for the payment of a portion of the principal of, and interest on, the Series 2020 Bonds. The funds transferred to the Bond Fund from the PFC Account shall be credited against the required transfers from the Revenue Account to the Bond Fund for payment of the Series 2020 Bonds. Neither the PFC Account nor the funds maintained therein (including, without limitation, the PFC Monies) are pledged as security for the Series 2020 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 2020 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 2020 Bonds and any Additional Bonds hereafter issued that the Authority elects to be secured by the Reserve Fund.

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 Requirement 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"). Upon the satisfaction of certain conditions specific in the Indenture, the Authority may satisfy all or a portion of the Reserve Fund Requirement through the delivery to the Trustee of a letter of credit or bond insurance policy. See "APPENDIX C – FORM OF INDENTURE" – "Section 10.3 Reserve Fund."

The Series 2020 Bonds will be secured by the Debt Service Reserve Fund under the Indenture. The Reserve Fund Requirement will be satisfied by the deposit with the Trustee of a Reserve Fund Credit Facility (as defined in the Indenture) from Build America Mutual Assurance Company. See Section 10.3(b) in the Form of Indenture attached hereto as Appendix C.

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 2020 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 Account after compliance with

the then applicable provisions of the Indenture requiring payment from the Revenue Account for (i) Operating Expenses, (ii) debt service on outstanding Bonds, and (iii) retention for future expenses (as described below under "Application of Revenues – Flow of Funds" in this section).

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 for payment of debt service on all Bonds issued under the Indenture.

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 two 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 Account 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 and the Reserve Fund. The funds and accounts controlled by the Authority are the Revenue Account and the PFC Account. While the Authority controls the PFC Account, amounts on deposit therein are not considered or deemed to be "Revenues" or "Net Revenues" under the Indenture.

The Authority will pay, out of the Revenues derived from the operation of the Airport Facilities on deposit in the Revenue Account, all Operating Expenses, as payment for the said expenses becomes due. On or prior to each Interest Payment Date and each Principal Payment Date, moneys on deposit in the Revenue Account shall be withdrawn by the Authority and disbursed as follows:

(1) The Authority will pay into the Bond Fund, out of the revenues on deposit in the Revenue Account remaining after payment of Operating Expenses for which payment is then due, the sum required to be paid into the Bond Fund to cover the amount due on such Interest Payment Date and such Principal Payment Date; *provided, however*, there shall be credited against amounts to be paid into the Bond Fund from the Revenue Account for the payment of principal of, or interest on, the Series 2020 Bonds, any monies from the PFC Account that are paid into the Bond Fund for that purpose at the times described below;

(2) The Authority will pay into the Reserve Fund such amounts as are required to be paid therein on or before such date, to the extent provided, in the Indenture and to the extent that moneys on deposit in the Revenue Account are sufficient therefor; and

(3) When no delinquency exists with respect to the payments provided for in subparagraphs (1) and (2) immediately above, the revenues derived from the operation of Airport Facilities remaining on deposit in the Revenue Account may be withdrawn by the Authority and used for any lawful purpose, and upon such withdrawal shall not be subject to the lien of the Indenture.

As set forth under "Commitment of Certain PFC Monies – PFC Account" herein, the Authority expects to withdraw from the PFC Account, on a monthly basis, PFC Monies for transfer to the Trustee and deposit in the Bond Fund. All PFC Monies so transferred from the PFC Account to the Trustee and deposited into the Bond Fund shall be used solely for the payment of principal of, and interest on, the Series 2020 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 2020 Bonds if:

(1) Prior to issuance, there is delivered to the Trustee either (A) a certificate of an Independent Auditor certifying that, for the most recently completed Fiscal Year for which audited financial statements are then available, the sum of (x) the Net Revenues for such Fiscal Year, and (y) the aggregate amount of moneys other than Revenues deposited into the Bond Fund during such Fiscal Year (including PFC Monies deposited into the Bond Fund pursuant to Section 9.1 of the Indenture) was not less than 125 % of the Maximum Annual Debt Service Requirement during the then current Fiscal Year or any then succeeding Fiscal Year with respect to the Bonds that will be outstanding immediately following the issuance of the then proposed Additional Bonds; or (B) a report of an Independent Airport Consultant 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 Capital Improvements (a) the earlier to conclude of (i) each of the first three full Fiscal Years succeeding the date on which such Capital Improvements 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 Capital Improvements, 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 either clause (A) or clause (B) of paragraph (1) above, 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 one of the tests (either clause (A) or clause (B)) set forth in paragraph (1) above are met.

(3) Notwithstanding the provisions of paragraph (1) above, Additional Bonds may be issued, without satisfaction of either clause (A) or clause (B) of paragraph (1) above, for the purpose of refunding all or any part of the outstanding Bonds, if the 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 debt service payable in each such Fiscal Year with respect to all Bonds that were outstanding immediately prior to the issuance of such Additional Bonds.

After giving effect to the issuance of the Series 2020 Bonds, the Series 2020 Bonds will be the only Bonds outstanding under the Indenture secured by a lien on the Net Revenues. For a summary of the projected debt service due on the Series 2020 Bonds, see "DEBT SERVICE REQUIREMENTS" herein.

Special Purpose Facility Bonds

The Indenture provides that the Authority may issue obligations to finance facilities at the Airport so long as (i) such obligations are payable from rentals or other payments derived by the Authority under a lease entered into between the Authority and the person, firm or corporation to be utilizing such facility to be financed, (ii) there is filed with the Trustee prior to the issuance of such obligations a certificate of an Authorized Authority Representative certifying that the estimated rentals or other payments to be derived by the Authority from the lease with respect to the facilities to be financed will be at least sufficient to pay the principal of and interest on such obligations, all costs of operating and maintaining such facilities and all sinking fund, reserve or other payments required by the resolution or indenture securing such obligations, and (iii) there is filed with the Trustee prior to the issuance of such obligations a report of an Independent Airport Consultant estimating or expressing the opinion that the construction and operation of such facilities either (A) will not decrease the Net Revenues, or (B) will not cause Net Revenues during any Fiscal Year covered by such report (which shall cover a period extending at least through the three Fiscal Years following the Fiscal Year during which such facilities will be completed) to be less than 1.25 times the Maximum Annual Debt Service Requirement during the then current or any then succeeding Fiscal Year. See APPENDIX C – "FORM OF INDENTURE" – "Section 11.11 Concerning Special Purpose Facilities".

Maintenance/Manufacturing Facility Bonds

The Indenture provides that the Authority may issue obligations to finance Maintenance/Manufacturing Facilities at the Airport so long as (i) such obligations are payable solely from rentals or other payments derived by the Authority under a lease entered into between the Authority and the person, firm or corporation which will be utilizing the Maintenance/Manufacturing Facilities to be financed, (ii) there is filed with the Trustee prior to the issuance of such obligations a certificate of an Authorized Authority Representative, certifying that the estimated rentals or other payments to be derived by the Authority from the lease with respect to the Maintenance/Manufacturing Facilities to be financed will be at least sufficient to pay the principal of and interest on such obligations, all costs of operating and maintaining such Maintenance/Manufacturing Facilities and all sinking fund, reserve or other payments required by the resolution or indenture securing such obligations, and (iii) there is filed with the Trustee prior to the issuance of such obligations a report of an Independent Airport Consultant, estimating or expressing the opinion that the construction and operation of such Maintenance/Manufacturing Facilities either (A) will not decrease the Net Revenues, or (B) will not cause Net Revenues during any Fiscal Year covered by such report (which shall cover a period extending at least through the three Fiscal Years following the Fiscal Year during which such Maintenance/Manufacturing Facilities will be completed) to be less than 1.25 times the Maximum Annual Debt Service Requirement during the then current or any then succeeding Fiscal Year. See APPENDIX C – "FORM OF INDENTURE" – "Section 11.21 Concerning Maintenance/Manufacturing Facilities".

Working Capital Indebtedness

The Authority may incur Working Capital Indebtedness without satisfying the conditions for the issuance of Additional Bonds or any of the other conditions for other types of obligations described above, 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.

Other Debt

In addition to Additional Bonds, bonds or other obligations to finance Special Purpose Facilities and Maintenance/Manufacturing Facilities, and Working Capital Indebtedness, the Authority, without satisfying the conditions applicable to the issuance of Additional Bonds or those other types of obligations and indebtedness, may issue, at any time and from time to time, in one or more series, (i) bonds or other obligations payable from and secured by revenues other than Revenues and Net Revenues, and (ii) bonds or other obligations, including revenue anticipation notes, payable from and secured by Net Revenues on a basis subordinate to the Bonds.

Released Revenues

Certain Revenues ("Released Revenues") will be excluded from the term "Revenues" and from the pledge and lien of the Indenture on Net Revenues if the Authority delivers to the Trustee:

- (1) A request describing the Revenues to be excluded;
- (2) Either:
 - (i) an Independent Airport Consultant's report to the effect that, based upon reasonable assumptions, if Revenues covered by the request are excluded, the Rate Covenant (if modified, solely for this purpose, by substituting 150% for 125% in the second test of the Rate Covenant) will be projected to be satisfied for the Fiscal Year in which such report is delivered and for each of the three full Fiscal Years following the Fiscal Year in which such report is delivered; or
 - (ii) an Independent Auditor's certificate to the effect that, if Revenues covered by the request are excluded, for each of the two most recently completed Fiscal Years for which audited financial statements are then available, the sum of

(x) the Net Revenues for each such Fiscal Year (without taking into account any moneys included in Net Revenues solely by virtue of clause (b) of the definition of Revenues), and (y) the aggregate amount of moneys other than Revenues deposited into the Bond Fund during each such Fiscal Year (including PFC Monies, if any, deposited into the Bond Fund pursuant to Section 9.1 of the Indenture) was not less than 125% of the Maximum Annual Debt Service Requirement during the then current Fiscal Year or any then succeeding Fiscal Year with respect to the then outstanding Bonds;

(3) An opinion of Bond Counsel to the effect that (i) the conditions to the release of such Revenues have been met and (ii) the exclusion of such Revenues from the pledge and lien of the Indenture will not, in and of itself, cause the interest income on any of the Bonds issued as tax-exempt Bonds under the Internal Revenue Code to become includable in gross income of the recipients thereof for federal income tax purposes;

(4) Written confirmation from each Credit Rating Agency rating the Bonds to the effect that the exclusion of such Revenues from the pledge and lien of the Indenture will not cause a withdrawal of or reduction in any unenhanced rating then assigned to the Bonds; and

(5) Evidence that notice of the proposed Released Revenues was given to all current Credit Facility Obligors in respect of any of the Bonds at least 15 days prior to the proposed effective date of the release of such Revenues.

See APPENDIX C – "FORM OF THE INDENTURE" – "Section 1.1. Definitions" for the definitions for "Released Revenues" and "Revenues".

DEBT SERVICE REQUIREMENTS

General

The following table provides the scheduled debt service requirements for the Series 2020 Bonds on a bond year basis:

Bond Year Ending (July 1,)	Principal	Interest	Total
2021	--	\$4,660,578	\$4,660,578
2022	--	4,766,500	4,766,500
2023	\$5,230,000	4,766,500	9,996,500
2024	5,490,000	4,505,000	9,995,000
2025	5,765,000	4,230,500	9,995,500
2026	6,055,000	3,942,250	9,997,250
2027	6,360,000	3,639,500	9,999,500
2028	6,675,000	3,321,500	9,996,500
2029	7,010,000	2,987,750	9,997,750
2030	7,360,000	2,637,250	9,997,250
2031	4,220,000	2,269,250	6,489,250
2032	4,430,000	2,058,250	6,488,250
2033	4,650,000	1,836,750	6,486,750
2034	4,885,000	1,604,250	6,489,250
2035	5,125,000	1,360,000	6,485,000
2036	5,330,000	1,155,000	6,485,000
2037	5,545,000	941,800	6,486,800
2038	5,765,000	720,000	6,485,000
2039	6,000,000	489,400	6,489,400
2040	6,235,000	249,400	6,484,400

Other Authority Indebtedness

The Authority heretofore issued its Revenue Bond, Series 2019, dated March 22, 2019, in the principal amount of up to \$10,000,000 (the "Series 2019 CFC Bond"). The Series 2019 CFC Bond evidences a line of credit (the "Line of Credit") documented pursuant to a Financing and Advance Agreement dated as of March 1, 2019 (the "Financing and Advance Agreement") between the Authority and BBVA Compass Bank ("Compass"), under which the Authority may borrow up to \$10,000,000 from Compass to pay the costs of a facility at the Airport commonly known as a "quick turnaround facility" (the "QTA Facility") for use by rental car companies operating at the Airport. The QTA Facility will include maintenance and washing bays, staging areas for fleet management, and administration space for all four rental car brand families operating at the Airport.

The Series 2019 CFC Bond bears interest at a variable monthly rate equal to, as of any date of determination, the London Interbank Offered Rate, as determined by ICE Benchmark Administration Limited (ICE) (or any successor or substitute therefor) for U.S. dollar deposits for a one-month period as obtained by Compass from Reuter's, Bloomberg or another commercially available source as may be designated by Compass from time to time, plus 72 basis points.

The Authority has drawn \$7,000,000 under the Line of Credit, and has until March 1, 2021 (the period from issuance of the Series 2019 CFC Bond through March 1, 2021, the "Construction Period") to make additional drawings up to \$3,000,000. The Authority is required to pay interest on the Series 2019 CFC Bond on a monthly basis, and, commencing April 1, 2023, is required to pay principal on the said bond (such principal to equal the outstanding amount of all drawings as of the close of the Construction Period) on April 1, 2023, April 1 2024, and April 1, 2025 in amounts equal to 30%, 33% and 37%, respectively, of the total principal outstanding as of the close of the Construction Period.

Pursuant to the Series 2019 CFC Bond and the terms of the Financing and Advance Agreement, the Series 2019 CFC Bond is secured by and payable from revenues from the operation of the airport on a basis subordinate to the lien thereof in favor of the Series 2010 Bonds; provided, upon issuance of the Series 2020 Bonds the Series 2019 CFC Bond shall be payable solely from, and secured solely by, collections by the Airport of the customer facility charge authorized by resolution of the Board of Directors of the Airport on November 19, 2012 and imposed by rental car agencies operating at the Airport and remitted to the Authority ("CFC Charges"). As noted elsewhere herein, CFC Charges are not subject to the lien of the Indenture, nor are they included in the definition of "Revenues" in the Indenture or otherwise pledged for payment of debt service of the Series 2020 Bonds.

Planned Borrowings

The Authority has no plans to issue Additional Bonds or to otherwise incur any obligations payable from Revenues of the Airport over the next 18 to 24 months.

BOND INSURANCE

The following information was provided by Build America Mutual Assurance Company. ("BAM") as issuer of the Policy described below for inclusion in this Official Statement. No representation is made by the Authority as to the accuracy or completeness of such information.

Bond Insurance Policy

Concurrently with the issuance of the Series 2020 Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Series 2020 Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Series 2020 Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement. The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Municipal Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law. BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2020 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2020 Bonds.

BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series 2020 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Series 2020 Bonds, nor does it guarantee that the rating on the Series 2020 Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$459.6 million, \$126.1 million and \$333.5 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer or the underwriter for the Series 2020 Bonds, and the issuer and underwriter assume no responsibility for their content. BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2020 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Series 2020 Bonds, whether at the initial offering or otherwise.

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.*

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.

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

<u>Name</u>	<u>Office</u>	<u>Term Expires</u>
David Germany	Chairman	July 29, 2024
Bobbie Knight	Vice Chair	July 29, 2024
Chris Johnson	Member	July 29, 2022
Robert Earl Kelly	Member	July 29, 2020
Edgar Marx, Jr.	Member	July 29, 2020
Bill Smith	Member	July 29, 2024
Darlene Wilson	Member	July 29, 2024
Randall Woodfin, Mayor	Ex Officio Member	N/A

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 1,457,562 passenger enplanements at the Airport in calendar year 2018. Based on calendar year 2018 data from the FAA, the Airport ranked 81st in the nation in terms of total passengers, and 104th in the nation in terms of total air cargo. See "AIR TRAFFIC – Enplaned Passengers at the Airport" for more information about the Airport's historic 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.

Ownership 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.

Under the City Lease the Authority is responsible for management and operation of the Airport and the lands upon which it is situated. In this regard the Authority is responsible for environmental and other matters incident to the site for the Airport. See "RISK FACTORS AND INVESTMENT CONSIDERATIONS – Environmental Regulation; Potential Environmental Matter" herein.

Management of the Airport

As of December 31, 2019, the Authority had approximately 1,407 full-time employees, including maintenance personnel and administrative staff. The Authority considers its relationship with its employees to be generally good. The Airport is operated and managed by a core set of professionals, as follows:

Ronald F. Mathieu - President and CEO. Ronald F. Mathieu serves as President and Chief Executive Officer ("CEO") of the Authority, overseeing operations of the Airport. Mr. Mathieu is responsible for the overall administration, operations, maintenance, development, and continued growth of the Airport. Mr. Mathieu began serving as President and CEO of the Airport in June 2019. Prior to that time, he served as executive director of the Bill and Hillary Clinton National Airport ("BHCNA"). During his tenure at BHCNA, Mr. Mathieu strengthened the airport's financial position while launching the organization's largest construction program. The first phase, a \$67

million initiative, included a new baggage handling system, security enhancements, the redevelopment of airline and administrative offices and enlargement of the security checkpoint and ticket lobby. Mr. Mathieu has held leadership positions at Fort Lauderdale/Hollywood International Airport and Newark International, LaGuardia and JFK International Airports - operated by the New York Port Authority.

Mr. Mathieu earned a Bachelor of Science in Aviation Management from the Florida Institute of Technology. He is a certified member of the American Association of Airport Executives, where he serves on the Policy Review Committee, and is a past chairman of the Diversity Committee. Mr. Mathieu, a private pilot, is also a board member of the International Association of Airport Executives.

Jim Payne - Chief Operating Officer. Jim Payne is the Chief Operating Officer for the Authority. He serves directly below the President & CEO and is responsible for the coordination and direction of all departments of the Airport (with the exception of Public Relations and Air Service Development) including Finance, Human Resources, Properties, Purchasing, Planning & Development, Facilities, and Operations. Prior to this role, Jim was the Director of Operations & Planning of the Authority for 11 years, serving as the department head for Operations, acting as the primary liaison with the FAA, TSA, state and other regulatory agencies. In that role, he also served as the primary Airport Security Coordinator for the Authority and served as the department head for Planning, supervising 2 Airport Planners.

Jim has 24 years of experience in aviation and airport management having been at the Airport for nearly 17 years. He worked at the Charlotte Douglas International Airport prior to his career with the Authority.

Jim holds a bachelor's degree in Aviation Management from Auburn University, is a Certified Member of the American Association of Airport Executives, and is a AAAE Airport Certified Employee in both Security and Operations. He is a member of the Aviation Council of Alabama and serves on the advisory board for the Auburn University Aviation Department.

Korey Campbell - Chief Financial Officer. Korey Campbell was appointed to serve as Chief Financial Officer of the Airport on May 11, 2020. Mr. Campbell has nearly 25 years of aviation finance experience resulting from his career at a major airline and an airport consulting firm. His experience includes capital funding plans, rates and charges, forecasting, PFC applications, and bond feasibility studies. He has provided consulting services to multiple large, medium and small hub airports, including long-term engagements at St. Louis Lambert International Airport, Dallas Love Field, and the Chicago Department of Aviation (O'Hare International and Chicago Midway International Airports).

Prior to coming to the Authority, Mr. Campbell served as Deputy Director for the Jefferson County Commission in Birmingham, Alabama, where he was responsible for the management of the Motor Vehicle Division of the Department of Revenue. Mr. Campbell received his bachelor's degree in Accounting from the University of Alabama, and a Masters degree in Business Administration from the University of Georgia."

Cameron Thompson - Vice President of Operations. Cameron Thompson serves as Vice President of Operations, which covers operational safety and security of the Airport. The operations staff consist of Airport operations, Airport badging, Airport parking, and the information technology department. He also serves as the Airport's primary Airport Security Coordinator, involving regulating the Airport's security posture in alliance with partnering federal agencies.

Mr. Thompson began his aviation journey at Auburn University's College of Business, where he obtained a bachelor's degree in Aviation Management. After beginning his airport career with the Authority in 2013, he worked his way through the operational ranks serving as a landside specialist, airside specialist, operations supervisor, and operations manager. During his transitions he became ACE certified, which is recognized by American Association of Airport Executives.

Marcelo Lima - Vice President of Planning and Development. Marcelo Lima is the Vice President of Planning and Development for the Birmingham Airport Authority (BAA), where he is responsible for all planning and construction projects at the Birmingham-Shuttlesworth International Airport (BHM).

Prior to his current role, Marcelo served in several different capacities in the airport industry over the last 15 years, including serving as the Deputy Airport Director at the Lynchburg Regional Airport in Lynchburg, VA, as well as the Airport Planner at the Charlotte Douglas International Airport in Charlotte, NC.

Marcelo holds a Bachelor of Science degree in Aviation Management from Ohio University and a Master of Science degree in Aviation from the University of North Dakota. Marcelo is an Accredited Airport Executive (A.A.E.) through the American Association of Airport Executives (AAAE) and holds a Private Pilot Certificate.

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 1,600 acres of land within the perimeter fence, of which approximately 75 acres have not yet been developed.

Terminal Facilities. The terminal complex is located within the open V of the Airport’s two runways. The Terminal follows a semi-circular layout with a linear concourse (B) and two pier concourses (A and C). Currently the Terminal consists of 425,000 square feet, of which approximately 36 percent has revenue-producing potential.

Concourses A, B and C collectively provide 19 second-level aircraft gate positions for air carrier aircraft. Utilization of the Airport’s aircraft gates by concourse and airline (including codeshares) is as follows:

<u>Concourse A</u>		<u>Concourse B</u>		<u>Concourse C</u>	
<u>Airline</u>	<u>Gates</u>	<u>Airline</u>	<u>Gates</u>	<u>Airline</u>	<u>Gates</u>
Delta	4	American	3	Southwest	3
				United	2

Of the remaining seven (7) gates not assigned for preferential use, two (gates A1 and A3) are "swing" gates for domestic and international use, controlled by the Airport and available for use on a per turn basis to any carrier. The remaining five (5) gates (A2, A5, B3, B5, and C6) are open for common use to any carrier. Delta Airlines frequently uses gate A5 on a per turn basis. American Airlines frequently uses gates B3 and B5, and occasionally gate A2, on a per turn basis. United Airlines occasionally uses gate C6 on a per turn basis.

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.

Concessions. The Airport’s Food and Beverage concessionaire is HMS Host, which is the nation’s largest concessionaire in this arena. HMS Host’s contract with the Airport was formalized as of March 2013 with an expiration of June 30, 2021. The Authority has two, one-year options if it chooses to extend the agreement with this concessionaire.

Concessions are located throughout the Airport terminal – including at pre and post-TSA checkpoint areas - , which is comprised of two major concession nodes, one at each intersection, with a cross-section of food and beverage, plus a restaurant and seating area for plane watching just past the checkpoint. Concessions at the airport include, among others, Starbucks, The Local Rustic Market, Jim N Nicks barbecue restaurant, Chick-Fil-A, Great American Bagel Bakery, Grounded, Birmingham Brewhouse and Talladega Grille.

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.

Runway 18 is a non-precision instrument approach runway that has an instrument landing system localizer as its only ground-based equipment. Runway 36 is a visual approach runway with no ground-based equipment.

Other Material Facilities. Kaiser Aircraft Industries, Inc. aircraft maintenance complex, comprised of 12 maintenance hangars with associated aircraft parking aprons and taxiways, leases approximately 185 acres on the southwest side of the Airport adjacent to the Messer-Airport Highway.

The Authority has one air cargo building which 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 at two locations on the airfield. There are presently 23 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. The potential exists for several additional sites for executive hangars.

Six rental car companies operate at BHM through 3 combined parent companies. Each of these rents ready car space in the parking deck and preparation facilities near the Economy Parking Lot. Construction is nearing completion for a consolidated facility known as a "quick turnaround facility" on airport property where the three companies will rent four separate facilities for preparation. See "DEBT SERVICE REQUIREMENTS" – "Other Authority Indebtedness" for additional information concerning this facility.

The Alabama Air/Army National Guard operates on the north side of runway 6/24 from facilities occupying approximately 180 acres of land.

In addition to the foregoing, there are various other facilities located at the Airport, including, among others, an Authority maintenance building, TSA offices and an FAA Air Traffic Control Tower

Capital Improvement Plan. The Authority has a five-year Capital Improvement Plan for the period covering fiscal years ending June 30, 2020 through June 30, 2024 (the "2020 - 2024 Capital Improvement Plan"). The 2020-2024 Capital Improvement Plan has appropriation requirements of approximately \$166.7 million dollars, with 29.3% of appropriations planned for fiscal year 2020 as of June 30, 2019. The Authority expects to use approximately \$23,449,144 of federal grant funds to finance a portion of the costs of the 2020-2024 Capital Improvement Plan.

The 2020-2024 Capital Improvement Plan was developed in conjunction with the 2018 master plan update study. Future improvements will be funded with airport funds, proceeds from new bond issues (although the Authority has no current plans to issue Additional Bonds for any of these projects), FAA and other grants, passenger facility charges, and CFCs. The Authority continually reviews its capital improvement plans to address changing economic and air traffic demands, operating conditions, and assessments of facility condition.

Insurance. The Authority will covenant in the Indenture to maintain insurance, or qualified self-insurance, against such risks at the Airport (including property and casualty, liability and worker's compensation) as are usually insured against at other similarly-sized airports. See Note 14 in APPENDIX B for a general description of the Authority's risk management efforts.

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, though the Authority is not aware of any formal approval of the same by the City Council for the past several years.

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 included in this Official Statement as APPENDIX B – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2019".

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 foregoing, 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, 1987, 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.

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".

AIR TRAFFIC

Enplaned Passengers at the Airport

Enplanements at the Airport in fiscal year 2019 were 1,533,824, reflecting an average annual increase of over 3.8% from fiscal year 2015 through fiscal year 2019. Additionally, enplanements increased 8.8 percent between fiscal year 2019 and fiscal year 2018, and increased by 5.5 percent between fiscal year 2018 and fiscal year 2017, which followed a decrease of 1.0 percent between fiscal year 2017 and fiscal year 2016 and a increase of 1.4 percent between fiscal year 2016 and 2015. The enplanements at the Airport over the past five years are listed below (BAA data based on airline self-reporting):

<u>Fiscal Year</u>	<u>Annual Enplanements</u>	<u>Percentage Change from Prior Fiscal Year</u>
2015	1,330,324	-%
2016	1,349,032	1.4%
2017	1,336,065	(1.0)
2018	1,409,531	5.5
2019	1,533,824	8.8

The Airport functions in the national air transportation system as an origin and destination airport providing service primarily to various regional connection airports through which on-line connecting service is available throughout the national system. For the fiscal year ended June 30, 2019, the top 10 origin and destination markets for the Airport were Orlando, FL; New York, NY; Tampa, FL; Denver, CO; Dallas, TX; Washington, DC; Chicago, IL; Houston, TX; Las Vegas, NV; Detroit, MI. Of those markets, six were served by two or more airlines.

Airlines Serving Birmingham

The principal air carrier airlines serving the Airport (and their respective shares of the fiscal year 2019 enplaned passenger market) include (i) Southwest Airlines ("Southwest"), which accounted for 29.4 percent of all enplaned passengers at the Airport, and (ii) Delta Airlines ("Delta"), which, together with its regional affiliates, accounted for 32.5 percent of all enplaned passengers at the Airport. The enplanement share of Southwest and Delta at the Airport has averaged about 61.9 percent from fiscal year 2015 through fiscal year 2019. The table below shows the air carrier airlines and cargo airlines with activity at the Airport during December 2019.

Carriers Reporting Enplaned Passengers and Air Cargo Birmingham-Shuttlesworth International Airport (During December 2019) U.S.-Flag Airlines (14)

Passenger Services

Scheduled:

American Airlines	United Airlines	Mesa Airlines (AA & UA)	Skywest Airlines (AA, DL, UA)
Envoy Airlines (AA)	Trans State (AA & UA)	Envoy (DL)	Southwest Airlines
Air Wisconsin (UA)	Delta Airlines	Go Jet (DL & UA)	Republic (UA)
Piedmont Airlines (AA)	Expressjet (AA & UA)	PSA (AA)	

All-Cargo Services:

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

Notes: AA = Codeshares with American; DL = Delta; UA = United

Passenger Airline Market Shares

Although annual growth in passenger enplanements at the Airport averaged an increase of 3.8% from fiscal year 2015 to fiscal year 2019, there was considerable variation by individual airline. Airlines showing traffic increases over the five-year period were Delta (3.0%, average annual growth) and American Airlines (4.2%, average annual growth) and United Airlines (5.9%, average annual growth). Airlines showing a decline at the Airport over the same period were Southwest (0.5%).

From fiscal year 2015 to fiscal year 2019, the combined share of passengers enplaned at the Airport by the top three airlines (Southwest, Delta and American/US Airways) decreased from 89.2% to 85.5%. Southwest's share of enplanements at the Airport during that period decreased from 34.1% to 29.4%. Delta's share of enplanements (including Delta code-sharing partners) at the Airport during that period fell from 32.7% to 32.5%. American Airlines (including US Airways code-sharing partners) increased its share of enplanements at the Airport during that period from 22.4% to 23.6%.

Market Shares: Total Enplaned Passengers Birmingham-Shuttlesworth International Airport (for years ending June 30; ranked as of 2019)

Rank	Airline	2015	2016	2017	2018	2019
1	Delta	434,423	455,346	443,866	464,432	499,245
2	Southwest	453,033	442,997	428,141	426,295	450,965
3	US Airways ⁽¹⁾	199,704	-	-	-	-
4	American ⁽¹⁾	98,748	300,023	312,363	334,000	361,754
5	United	142,846	150,666	151,041	172,921	185,019
6	Frontier ⁽²⁾	-	-	-	11,737	35,921
7	All Others	<u>1,570</u>	<u>-</u>	<u>654</u>	<u>146</u>	<u>463</u>
	Total	<u>1,330,324</u>	<u>1,349,032</u>	<u>1,336,065</u>	<u>1,409,531</u>	<u>1,533,824</u>

⁽¹⁾ US Airways merged into American in 2015.

⁽²⁾ Frontier Airlines ("Frontier") began operating flights in and out of the Airport in February 2018. In January 2020 announced its decision to terminate those operations due to lack of demand for Frontier's service.

Percentage Distribution Birmingham-Shuttlesworth International Airport (for years ending June 30; ranked as of 2019)

Rank	Airline	2015	2016	2017	2018	2019
1	Southwest	34.1%	32.8%	32.0%	30.2%	29.4%
2	Delta	32.7%	33.8%	33.2%	32.9%	32.5%
3	US Airways	15.0%	-	-	-	-
4	American	7.4%	22.2%	23.4%	23.7%	23.6%
5	United	10.7%	11.2%	11.3%	12.3%	12.1%
6	Frontier	-	-	-	0.8%	2.3%
7	All Others	04.1%	-	0.1%	0.1%	0.1%
	Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Landed Weights by Airline

Airline	For the fiscal years shown (in millions of pounds)				
	2015	2016	2017	2018	2019
American/US Airways	356,502	357,675	385,625	421,989	452,686
Delta	533,524	551,074	562,038	553,488	583,065

Southwest	595,696	552,346	543,016	549,078	554,410
United	149,328	163,613	164,525	202,027	208,678
Xtra	--	--	1,008	--	--
Frontier	--	--	--	11,674	33,723
Via	--	--	--	248	1,058
FedEx	64,350	62,983	56,628	56,146	51,282
MountainAir	9,802	9,430	9,334	8,311	9,067
UPS	<u>103,437</u>	<u>104,144</u>	<u>104,281</u>	<u>108,185</u>	<u>112,333</u>
Total Landing Weight	1,812,639	1,801,265	1,826,455	1,911,146	2,006,302

Recent Passenger Activity

For the six months ended December 31, 2019, the Airport experienced an increase in enplaned passengers of 11,577 when compared to the same period a year earlier. This equates to a 1.5 percent increase in enplaned passengers for the period. The combined share of passengers enplaned at the Airport by the top three airlines decreased from 85.6 percent in the six months ended December 31, 2018 to 85.5 percent for the six months ended December 31, 2019, as Southwest's share of enplanements was 26.1 percent, Delta share of enplanements was 34.2 percent and the share of enplanements for American Airlines, was 25.2 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 Official Statement and will not be subject to update by the Authority. See "CONTINUING DISCLOSURE" herein.

REVENUES AND EXPENSES OF THE AUTHORITY AND OTHER FINANCIAL CONSIDERATIONS

Airport Use Agreements

Current Terms and Provisions. The Authority is currently party to an Airport Use and Lease Agreement with each of the four major airlines serving Birmingham (each such agreement, an "Airport Use Agreement" and, collectively, the "Airport Use Agreements"), which include American Airlines, Inc., Delta Airlines, Inc., Southwest Airlines and United Airlines, Inc. The Airport Use Agreements have a five-year term that became effective August 15, 2016 and expire August 15, 2021. Under each Airport Use Agreement, the airline counterparty thereto is charged residual landing fee rates for the airfield, and a commercial compensatory rate for the terminal building reduced by a 35%-50% non-airline terminal building revenue credit depending on the balance in a special fund of the Authority (which is not an Indenture fund or otherwise pledged for the Series 2020 Bonds) referred to in the Airport Use Agreements as the "Capital Improvement Fund." Each Airport Use Agreement also contains an end-of-term option that allows for a renewal of an additional five years upon mutual agreement of the Airport and the counterparty airline.

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.

Expiration of Current Term of Airport Use Agreements. As noted above, each of the Airport Use Agreements is set to expire by its terms in August 2021. The Airport intends to begin negotiations with the airlines serving Birmingham to extend these agreements for additional terms of up to five years by late Fall of this year. While the Authority has not begun, and can make no representation concerning the outcome of, negotiations with the airlines, it expects to reach mutual agreement with the airlines to extend these agreements for additional terms, in which case certain existing provisions of the agreements may be modified. This expectation is based, in part, upon the Airport's understanding of the airlines' relatively low cost of service at the Airport compared to ticket sales revenues attributable to the Airport. Furthermore, upon the refinancing of the Bonds as herein contemplated, charges imposed by the Airport would be reduced under the formula for calculating charges under the current Airport Use Agreements.

Previous Rate-Making Methodologies. In the past the Authority has operated the Airport during periods in which it did not have written agreements with the airlines. The Airport has briefly described the manner by which it has imposed charges on airlines during certain such periods on Page 25 of APPENDIX B hereto – "COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2019." If the Authority is unable to reach mutually-agreeable terms for extending the Airport Use Agreements, it will have to determine an appropriate manner for imposing charges for use of the Airport. Such methodology, should it become necessary to impose, has not been determined by the Authority, and could be consistent with, or entirely different from, the manner by which it has imposed rates and charges during prior periods when written agreements were not in effect.

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) increased from \$44,053,522 in fiscal year 2015 to \$47,908,957 in fiscal year 2019; this increase represents an average annual growth rate of 1.8 percent. See "APPENDIX C – "FORM OF INDENTURE" – "Section 1.1 Definitions" for the definition of "Revenues" in the Indenture.

Airline Revenues

In fiscal year 2015, the three largest airlines operating at the Airport, Southwest, Delta and American (aggregated with US Airways as a result of the merger), enplaned 34.1 percent, 32.7 percent and 22.4 percent, respectively, of the passengers at the Airport. Collectively, these three airlines encompassed 89.3 percent of the enplaned passenger market share at the Airport. Enplanement shares among the top three airlines have decreased from 89.3 percent in fiscal year 2015 to 85.5 percent in fiscal year 2019.

The combined landing fees, apron rentals, RON fees, and terminal rentals paid by these airlines accounted for 35.4 percent of the Authority's fiscal year 2019 Revenues (net of transfers from the Capital Improvement Fund in fiscal year 2019). The equivalent payments for all airlines, including the four largest and the air cargo carriers, totaled approximately \$16,653,696 million in fiscal year 2015 which was 37.8 percent of the Authority's fiscal year 2015 operating revenues (net of transfers from the Capital Improvement Fund in fiscal year 2015).

Revenues from the passenger airlines increased from \$16,653,696 in fiscal year 2015 to 16,978,308 in fiscal year 2019, representing an average annual revenue increase of 0.14 percent. See "Airport Use 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 \$27.4 million in fiscal year 2015 to approximately \$30.9 million in fiscal year 2019 at an average annual growth rate of 2.6 percent per year. Non-Airline Revenues accounted for 64.6 percent of the Authority's Revenues in fiscal year 2019 (net of transfers from the Capital Improvement Fund in fiscal year 2019).

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 then-outstanding 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 \$14,157,461 in fiscal year 2019, which represented 29.6 percent of the Authority's operating revenues in fiscal year 2019 (net of transfers from the Capital Improvement Fund in fiscal year 2019).

Auto Rental Concession Fees. The Authority receives concession fees from the auto rental companies, terminal concessionaires and other companies operating at the Airport. The Authority's Operating Revenues from the concession fees paid by the auto rental companies totaled approximately \$5.2 million in fiscal year 2019 which represented 10.2 percent of the Authority's Operating Revenue. With the expiration of the rental car concession agreements on July 31, 201x, the auto rental companies are operating on a month to month agreement.

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 ranging between \$858,000 and \$1,100,000, 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 \$1.17 million in fiscal year 2019. The Authority anticipates that these concession fees will increase due to addition of national brands in future years.

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 ranging between \$545,000 and \$685,000 and (ii) 18 percent of news and gift sales. Concession fees from the sale of such news and gift items totaled approximately \$0.92 million in fiscal year 2019.

Other Concession Fees. The Authority receives concession fees for advertising displays in the Terminal, ground handling fees, air valet services, taxi operations, vending machines and ATMs in the Terminal, FBO sales and various other minor items. Concession fees for all of these items aggregated \$2.11 million in fiscal year 2019.

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 Weather Bureau. In fiscal year 2019, the Authority received approximately \$1.547 million in non-airline building rent, of which 32.3 percent was paid by the air cargo carriers and 39.7 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 \$2.53 million in fiscal year 2019, with a majority of such rental revenue coming from the executive aircraft hangars (73.6%).

Transportation Network Companies. Transportation network companies ("TNCs") such as Uber and Lyft operate at the airport and are assessed a fee-per-trip of \$3.00 per drop-off. The Authority's revenues from TNCs were approximately \$100,000 in the fiscal year ended June 30, 2019. Management of the Airport does not expect TNCs to have a material impact on the operations or financial results of the Airport in the near term.

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 \$1.27 million in fiscal year 2019.

Passenger Facility Charges; Airport Improvement Program Grants

PFC Act. 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. Through June 30, 2019, the Authority had collected PFCs totaling approximately \$105.621 million and had earned approximately \$1.410 million in interest on PFC's. As of June 30, 2019, the Authority had disbursed a total of \$103.576 million in PFC revenues to fund costs of PFC Eligible Projects, and maintained \$3.455 million of PFC Monies on deposit in the PFC Account.

PFC Collections. As discussed above under the heading "SECURITY FOR THE SERIES 2020 BONDS – Passenger Facility Charges", the Authority's 2010 PFC Application was approved by the FAA on November 4, 2010. Under the 2010 PFC Application, the Authority may collect up to \$151,500,000 in PFCs during the period commencing October 1, 2011 (i.e., the expiration of the Authority's previous application to collect and use PFCs) through July 1, 2031.

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 2020 Bonds. However, neither the PFC Account nor the funds deposited therein (including, without limitation, the PFC Monies) are pledged as security for the Series 2020 Bonds or otherwise subject to the lien of the Indenture. See "SECURITY FOR THE SERIES 2020 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. 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 2020 Bonds.

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

The Authority's plan for funding projects in the 2020-2024 Capital Improvement Plan assumes that AIP entitlement and discretionary grant funds will be available to fund the grant-eligible portion of certain of those projects. In the event that AIP grants for the Airport are lower than those made in recent years, the Authority will either elect to delay or not undertake certain projects or seek alternative sources of funding.

Historical Revenues and Expenses of the Authority

The following table sets forth the Statements of Revenues, Expenses and Changes in Net Position for the Authority for each of the fiscal years ended June 30, 2015 through and including June 30, 2019, taken from the audited financial statements of the Authority for those fiscal years. This information should be read in conjunction with the audited financial statements of the Authority for the fiscal year ended June 30, 2019, set forth on Appendix B hereto.

	2015	2016	2017	2018	2019
Operating Revenues					
Space rentals	\$11,296,350	\$9,273,080	\$9,205,501	\$9,304,340	\$ 9,534,948
Concession fees - parking	12,764,253	12,984,370	12,615,023	13,149,917	14,157,461
Concession fees – other	7,057,996	8,783,938	8,643,213	8,889,828	9,443,426
Landing fees	10,277,188	10,114,416	10,303,116	11,136,231	10,605,258
Fuel flowage	312,429	327,774	340,322	374,666	394,763
Ground hangar rentals	1,445,876	1,545,886	1,458,502	1,552,899	2,503,650
Other revenues	<u>899,430</u>	<u>1,016,731</u>	<u>1,263,601</u>	<u>1,297,456</u>	<u>1,269,451</u>
Total Operating Revenues	44,053,522	44,046,195	43,829,278	45,705,337	47,908,957
Operating Expenses					
Personnel costs	11,705,510	11,279,857	11,810,425	12,090,442	9,853,432
Pension expense	1,632,061	4,793,349	3,501,021	3,895,785	4,402,363
Security & fire protection	3,920,943	4,080,074	4,520,505	5,473,061	5,232,094
Utilities	2,265,915	2,137,622	1,921,000	2,011,434	2,049,403
Professional services	1,186,682	735,644	568,201	1,005,640	2,259,523
Materials and supplies	1,401,053	996,564	1,154,405	1,149,967	1,306,658
Repairs and maintenance	3,126,806	3,619,370	3,627,252	3,607,573	3,581,916
Other services	<u>2,246,992</u>	<u>2,583,089</u>	<u>1,815,147</u>	<u>1,722,739</u>	<u>1,949,824</u>
Total Operating expense before depreciation & amortization	27,485,962	30,225,569	28,908,956	30,956,641	30,635,213
Depreciation and amortization	<u>15,572,715</u>	<u>16,311,707</u>	<u>17,342,863</u>	<u>17,258,899</u>	<u>17,361,529</u>
Total Operating Expense	43,058,677	46,537,276	46,251,819	48,215,540	47,996,742
Operating income (loss) before non-operating revenues	994,845	(2,491,081)	(2,422,541)	(2,510,203)	(87,785)
Non-Operating Revenues (Expenses)					
Passenger facility charges	5,241,743	5,258,436	5,208,341	5,708,601	6,135,296
Customer facility charges	4,725,271	4,830,565	4,745,406	4,908,780	5,168,987
Interest income	130,593	110,407	239,243	480,042	1,141,005
Interest expense	(9,011,341)	(9,606,613)	(9,572,401)	(9,250,551)	(8,935,626)
Gain on disposal of capital assets	--	110,000	--	--	--
Insurance settlement	--	--	27,283	(10,925)	9,332
Net increase in fair value of investments	<u>(8,806)</u>	<u>(8,115)</u>	<u>33,013</u>	<u>160,787</u>	<u>375,655</u>

Total Non-Operating Revenues	1,077,460	694,680	680,885	1,996,734	3,894,649
Income (loss) before capital contributions from federal agency	2,072,305	(1,796,401)	(1,741,656)	(513,469)	3,806,864
Capital contribution from federal agency	6,844,392	7,600,907	4,937,446	9,726	2,372,906
Net position					
Increase (decrease) in net position	8,916,697	5,804,506	3,195,790	(503,743)	6,179,770
Total net position, beginning of year	418,647,702	42,6034,861	431,839,367	43,5494,339	434,990,596
Total net position, end of year	<u>\$427,564,399</u>	<u>\$431,839,367</u>	<u>\$435,035,157</u>	<u>\$434,990,596</u>	<u>\$441,170,366</u>

Pension and Other Post-Employment Benefits Obligations

Pension Plan. The Authority contributes to the City of Birmingham Retirement and Relief System - a single employer defined benefit pension plan (the "Pension 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 7.0% of payroll, exclusive of overtime. The City of Birmingham 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 acts as trustee for the Plan.

For information concerning the Pension Plan, the Authority's liability and obligations concerning the same, and other related information See Note 10 to the audited financial statements of the Authority contained in its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019 attached hereto as APPENDIX B, along with the information entitled "Required Supplementary Information (Unaudited) on Pages 71 through 74 of the said Comprehensive Annual Financial Report.

Other Post-Employment Benefits Liabilities. The Authority provides certain healthcare and life insurance benefits for its retirees (collectively, "OPEB Liabilities"). During October 2018, the governing body of the Authority authorized the creation and finding of an investment trust (the "OPEB Trust") to meet its liability for the payment of OPEB Liabilities under long-established employee benefit plans. For information concerning the Authority's OPEB Liabilities, the OPEB Trust and other related information, See Note 11 to the audited financial statements of the Authority contained in its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019 attached hereto as APPENDIX B, along with the information entitled "Required Supplementary Information (Unaudited) on Pages 71 through 74 of the said Comprehensive Annual Financial Report.

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 two tests (the "Rate Covenant"):

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

(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.

For purposes of determining whether the Rate Covenant has been satisfied, under the Indenture the amount required to be deposited into the Bond Fund during each Fiscal Year is reduced by the amount of any PFC Monies transferred from the PFC Account to the Bond Fund during such Fiscal Year.

If, during any such Fiscal Year, Revenues estimated are less than the amount required under the Rate Covenant, the Authority is required under the Indenture, to the extent permitted by applicable law, to revise its rates, fees, rentals and charges, or alter its methods of operation or take other action in such manner as is calculated to produce the amount so required in such Fiscal Year.

If the audit report of the Authority for any Fiscal Year indicates that the Authority has not satisfied its obligation to fix, charge and collect sufficient sums to satisfy the Rate Covenant, the Authority is required under the Indenture to employ an Independent Airport Consultant to prepare a report providing the action such consultant recommends with respect to the revision of rates, fees, rentals and charges, alteration of its methods of operation or other actions projected to result in producing the required amounts in the following twelve-month period or, if less, the maximum amount deemed feasible by the Independent Airport Consultant. The Authority is required in the Indenture, to the extent permitted by applicable law, to revise its rates, fees, rentals and charges or alter its methods of operation, which revisions or alterations need not comply with the Independent Airport Consultant's recommendations so long as any revisions or alterations are projected by the Authority to result in compliance with the Rate Covenant.

For each of the 12 month periods ended June 30 for the years 2015 through 2019, the Authority produced Revenues, as reflected in the following table, sufficient to meet the annual requirements of the Rate Covenant, as follows:

**Birmingham Airport Authority
Rate Covenant Tests
For the 12-Month Period Ended June 30,
(Expressed in Thousands)**

	2015	2016	2017	2018	2019
TEST 1					
Revenues net of transfers	\$44,179	\$44,113	\$44,004	\$46,076	\$48,879
Transfers from Capital Improvement Fund ⁽¹⁾ For revenue bond debt service coverage	2,860	2,863	2,875	2,879	2,890
Total Revenues	<u>47,039</u>	<u>46,976</u>	<u>46,879</u>	<u>48,955</u>	<u>51,769</u>
Less:					
Current Expenses*	27,486	30,226	28,909	30,837	30,635
Bond Fund Deposit (Debt Serv)	11,440	11,454	11,502	11,517	11,560
Subordinated Debt Payments	-	-	-	-	-
Subtotal	<u>38,926</u>	<u>41,679</u>	<u>40,411</u>	<u>42,354</u>	<u>42,195</u>
Must Not Be Less Than Zero	<u>\$8,113</u>	<u>\$5,297</u>	<u>\$6,468</u>	<u>\$6,601</u>	<u>\$9,574</u>
TEST 2					
Revenues net of transfers	44,179	44,113	44,004	46,076	48,879
Transfers from Capital Improvement Fund ⁽¹⁾ for revenue bond debt service coverage	<u>2,860</u>	2,863	2,875	2,879	2,890
Total Revenues	47,039	46,976	46,879	48,955	51,769
Less:					
Current Expenses*	27,486	30,226	28,909	30,837	30,635
Net Revenues	19,553	16,751	17,970	18,118	21,134
Less:					
Revenue Bond Debt Service times 125%	<u>14,299</u>	<u>14,317</u>	<u>14,377</u>	<u>14,396</u>	<u>14,450</u>
Must Not Be Less than Zero	<u>\$5,253</u>	<u>\$2,434</u>	<u>\$3,593</u>	<u>\$3,722</u>	<u>\$6,684</u>

⁽¹⁾ Represents transfers from an account of the Authority known as the "Capital Improvement Fund". This account is not part of the 2010 Indenture or of the Indenture.

* Defined as "Operating Expenses" in the Indenture.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

The following section describes certain risk factors and investment considerations affecting the payment of the Series 2020 Bonds. This section is not meant to be a comprehensive or definitive discussion of the risks associated with an investment in the Series 2020 Bonds, and the order in which this information is presented does not necessarily reflect the relative importance of various risks. The Series 2020 Bonds may not be suitable investments for all persons, and prospective purchasers should evaluate the risks and merits of an investment in the Series 2020 Bonds, and confer with their own legal and financial advisors before considering a purchase of the Series 2020 Bonds. Potential investors in the Series 2020 Bonds are advised to consider the following factors, among others, and to review this entire Official Statement to obtain information essential to the making of an informed investment decision. In considering the matters set forth in this Official Statement, prospective investors should carefully review all investment considerations and bondholders' risks set forth throughout this Official Statement, and should specifically consider certain risks associated with the Series 2020 Bonds. Any one or more of the factors discussed below, among others, could affect the market value and/or the marketability of the Series 2020 Bonds. There can be no assurance that other risk factors not discussed herein will not become material in the future.

Series 2020 Bonds are Special and Limited Obligations

THE SERIES 2020 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 2020 BONDS FROM THE NET REVENUES AND OTHER FUNDS OF THE AUTHORITY PLEDGED THEREFOR UNDER THE TERMS OF THE INDENTURE AND AVAILABLE FOR SUCH PAYMENT. IN ADDITION, A PORTION OF THE PRINCIPAL AND INTEREST ON THE SERIES 2020 BONDS IS EXPECTED TO BE PAID FROM PFC MONIES. THE SERIES 2020 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 2020 BONDS. THE SERIES 2020 BONDS SHALL NOT BE PAYABLE FROM ANY OTHER FUNDS OF THE AUTHORITY OTHER THAN PFC MONIES. THE AUTHORITY HAS NO TAXING POWER.

Passenger Facility Charge Revenue May be Applied only to Certain Uses

Application. The 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 to pay a portion of the debt service on the Series 2020 Bonds (but only to the extent PFC Monies are available for such purpose and up to the amounts described under "SECURITY FOR THE SERIES 2020 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 2020 Bonds (i.e., the debt service allocable to the Series 2020 Bonds used to finance 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. A reduction in PFC Monies could have an adverse impact on the timely payment of principal and interest on the Series 2020 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 2020 Bonds and/or other PFC eligible projects included in the 2020-2024 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 2020 Bonds. See "SECURITY FOR THE SERIES 2020 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.

Factors Affecting the Airline Industry and Demand for Air Travel

General. The ability to pay debt service on the Bonds will depend on the Authority's receipt of sufficient Net Revenues. The Indenture also provides that certain PFC Monies received by the Authority will be transferred to the Bond Fund to pay principal and interest on those portions of the Series 2020 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 2020 Bonds).

Both Net Revenues and PFC Monies are dependent primarily on aviation activity and enplaned passenger traffic at the Airport. Amounts available for deposit in the Revenue Account and the amount of PFC Monies available for transfer to the Bond Fund could also be adversely affected by delays or defaults in the payments of rates and charges and landing fees by the air carriers at the Airport and delays or defaults in the payments of PFCs by the airlines to the Authority.

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. Key factors that affect the financial condition of the airlines and therefore, the level of Net Revenues, include, among other things: local, regional, national and international economic and political conditions; availability and price of aviation fuel (including the ability of airlines to hedge fuel costs); international hostilities; airline service and routes; world health concerns; aviation security concerns; airline airfares and competition; applicable federal laws, including without limitation federal bankruptcy laws and the legislative reauthorization of the FAA; and a variety of miscellaneous factors, such as IT and cybersecurity concerns and business travel substitutes, including teleconferencing, videoconferencing and web-casting.

Although the Authority's operating results may be affected by the financial condition of airlines operating at the Airport, the Authority derives a substantial portion of its operating revenues from public parking operations, food and beverage concessions, retail concessions, car rental companies and others. Declines in passenger traffic at the Airport may adversely affect the commercial operations of many of these concessionaires. 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.

Public Health Concerns/COVID-19 "Coronavirus". Public health and safety concerns have affected air travel demand from time to time. An outbreak of disease or similar public health threat, or fear of such an event, that affects travel demand, travel behavior, or travel restrictions can have a material adverse impact on the Authority's business, financial condition and operating results. In addition, outbreaks of disease can result in increased government restrictions and regulation, including quarantines of the Authority's personnel or an inability to access facilities or aircraft, which can adversely affect the operations at the Airport through decreased air travel, enplanements and related issues.

In 2003, concerns about the spread of severe acute respiratory syndrome led public health agencies to issue advisories against nonessential travel to certain regions of the world. In 2009, while the United States Center for Disease Control and Prevention ("CDC") and the World Health Organization ("WHO") did not recommend that people avoid domestic or international travel, concerns about the spread of influenza caused by the H1N1 virus reduced international air travel. Following an outbreak of the Ebola virus in West Africa in 2014, concerns about the spread of the virus adversely affected travel to and from certain regions of Africa. In January 2016, the CDC issued a travel alert warning pregnant women to avoid travel to areas where the Zika virus, which has been linked to a type of birth defect called microcephaly, is spreading, a list that currently includes more than 30 countries and territories.

In December 2019, a novel strain of coronavirus ("COVID-19" or "Coronavirus") was reported in Wuhan, China. Since that time, the U.S. government has issued "do not travel" advisories for China and other areas, and has implemented enhanced screenings, quarantine requirements and travel restrictions in connection with the COVID-19 outbreak. On March 11, 2020, the WHO declared the Coronavirus a global "Pandemic", in response to which the United States has announced restrictions on travel into the United States from Europe, as well as various other actions and restrictions to help contain the outbreak within the United States. It should be expected that additional travel and travel-related restrictions will be implemented in the future in response to COVID-19. Other foreign nations have taken similar measures, and it should be expected that additional measures and restrictions will be implemented by those and other nations in response to the outbreak.

While U.S. gateway airports with significant trans-Pacific passenger volume were the first to be affected by COVID-19 related issues, international and domestic travel has been postponed, deferred or cancelled as the rate of new infections increased, impacting enplanements and operations at other airports, such as the Airport.

International and domestic air travel has been negatively impacted by COVID-19, as have operations of the major airlines serving the Airport. Many airlines have publicly reported that as a result of these and other conditions, its results of operations could be volatile and subject to rapid and unexpected change. Such changes can have a negative impact on the rate of travel and enplanements at the Airport, and on Revenues generated at the Airport.

Concerns stemming from COVID-19 have also been attributed to a significant drop in the United States financial markets, and in financial markets world-wide. This, too, can have a negative impact on air travel and on enplanements and the financial and operational results of, and Revenues generated at, the Airport.

The Authority cannot predict (i) the duration or extent of the COVID-19 outbreak or any other outbreak or pandemic; (ii) the duration or expansion of travel restrictions and warnings – both domestically and internationally; (iii) whether additional countries or destinations will be added to the travel restrictions or warnings; (iv) what effect any COVID-19 or any other outbreak/pandemic-related travel restrictions or warnings may have on demand for air travel, including to and from the Airport, Airport costs or revenues; (v) whether and to what extent the COVID-19 outbreak or any other outbreak or pandemic may disrupt the local or global economy, manufacturing or supply chain, or whether any such disruption may adversely impact Airport-related operations; (vi) the extent to which the COVID-19 outbreak or any other outbreak or pandemic, may result in changes in demand for travel, or may have an impact on the airlines serving the Airport, Airport concessionaries or the airline and travel industry, generally; or (vii) whether any of the foregoing may have a material adverse effect on the finances and operations of the Airport. Future outbreaks or pandemics may reduce demand for travel, which in turn could cause a decrease in passenger activity at the Airport and declines in Revenues generated at the Airport.

Overall, the extent of the impact of the COVID-19 on the Airport's operational and financial performance, and on Revenues, will depend on future developments, including without limitation the duration and spread of the outbreak, travel restrictions, restrictions, limitations and changes on public gatherings other public events, and restrictions in operations of public and private entities nation-wide and internationally, and other restrictions and measures taken in response to COVID-19, all of which can adversely impact demand for air travel and at this time are uncertain and cannot be predicted by the Authority. Prospective investors should assume that travel-related restrictions and limitations, which have an adverse impact on Revenues generated by the Authority, will increase at least over the near term.

Local Market Conditions. The network airlines have developed Origin & Destination ("O&D") and connecting airport systems that allow them to offer high frequency service in many markets. The number of origin and destination passengers at a connecting airport depends on the intrinsic attractiveness of the region as a business and leisure destination, the propensity of its residents to travel, and the airline fares and service provided. The number of connecting passengers at O&D airports, on the other hand, depends entirely on the routes or airline service provided. Connecting traffic (if any) at such airports depends on the route networks and flight schedules of the airlines serving that airport and competing connecting airports. Since 2003, as the U.S. airline industry has consolidated, airline service has been or is being drastically reduced at many former connecting airports.

Most passengers at the Airport are originating their journeys rather than connecting between flights. Generally, at O&D airports, such as the Airport, air traffic is significantly dependent upon the economy of the airport trade area. Although the Airport's air trade area is large and has a relatively diversified socioeconomic base, the economy in the air trade area depends in significant part upon the financial strength and stability of the industries within the air trade area and upon the success of major employers in the air trade area. Reduced demand for air travel in and out of the air trade area could result in fewer airlines serving the Airport and lower levels of passenger activity.

Additionally, 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 from the Airport that have limited scheduled regional service to Atlanta. The Atlanta Airport is one of the busiest passenger airports in the United States. 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.

Economic and Political Conditions. Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. Recession in the U.S. economy in 2001 and 2008-2009 and associated high unemployment reduced discretionary income and contributed to reduced airline travel demand in those years. With the globalization of business and the increased importance of international trade and tourism, the U.S. economy has become more closely tied to worldwide economic, political, and social conditions. As a result, international economics, trade balances, currency exchange rates, political relationships, and hostilities all influence passenger traffic at major U.S. airports. Sustained future increases in passenger traffic at the Airport will depend on stable international conditions as well as national and global economic growth.

Capacity in National Air Traffic Control and Airport Systems. Increased demands on the national air traffic control and airport systems could reduce passenger enplanements at the Airport by causing increased delays and restrictions. Demands on the national air traffic control system can 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, including airline schedules and passenger traffic at the Airport. 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.

Cost of Aviation Fuel. Airline earnings are significantly affected by the price of aviation fuel. According to Airlines for America, fuel, along with labor costs, is one of the largest cost components of airline operations, and

continues to be an important and uncertain determinate of an air carrier's operating economics. There has been no shortage of aviation fuel since the "fuel crisis" of 1974, but any increase in fuel prices causes an increase in airline operating costs.

Fuel prices continue to be susceptible to, among other factors, political unrest in various parts of the world (particularly in the oil-producing nations in the Middle East and North Africa), Organization of Petroleum Exporting Countries' policy, increased demand for fuel caused by rapid growth of economies such as China and India, the levels of fuel inventory maintained by certain industries, the amounts of reserves maintained by governments, currency fluctuations, disruptions to production and refining facilities and weather. The cost of aviation fuel has fluctuated in the past in response to changes in demand for and supply of oil worldwide. According to Airlines for America, (i) for the third quarter of 2019, jet fuel accounted for approximately 18.5% of the airline industry's operating expenses and (ii) the price of aviation fuel as of March 4, 2020, was estimated to be \$1.48 per gallon. The price of aviation fuel rose to an all-time high of approximately \$3.75 per gallon in July 2008.

Significant fluctuations and prolonged increases in the cost of aviation fuel historically have had an adverse impact on air transportation industry profitability, causing airlines to reduce capacity, fleet and personnel as well as to increase airfares and institute fuel, checked baggage and other extra surcharges, all of which may negatively affect the demand for air travel and passenger activity at the Airport.

For further information regarding the financial condition and effects on operations of airlines, reference is made to the statements and reports filed periodically by the airlines with the SEC. See "– Availability of Information Concerning Individual Airlines."

Airline Consolidations. Where an airport has a significant market share accounted for by a single airline, there is also risk associated with the potential for that airline to reduce or discontinue service. In Fiscal Year 2019, Delta Airlines and Southwest Airlines accounted for approximately 32.5% and 29.4%, respectively, of the total enplaned passengers at the Airport. There can be no assurance that Delta Airlines and Southwest Airlines will continue to maintain their operations at the Airport at current levels in the future.

In response to competitive pressures, the U.S. airline industry has significantly consolidated. For example, in October 2008, Delta Air Lines and Northwest Airlines merged. In June 2009, Republic Airways Holdings, Inc. acquired Midwest Airlines, and in October 2009 it acquired Frontier Airline. In October 2010, United Airlines and Continental Airlines completed the merger of the two airlines. In May 2011, Southwest Airlines completed its acquisition of AirTran Airways. In December 2013, US Airways and American Airlines completed the merger of the two airlines. Further airline consolidation is possible and could change airline service patterns. The Authority cannot predict what impact, if any, such consolidations could have on the airline traffic at the Airport.

UPS is the Airport's largest cargo carrier with approximately 65.1% of the cargo enplaned and deplaned at the Airport. No assurances can be given that UPS or any of the other passenger or cargo carriers currently operating at the Airport will continue to do so at the current level or at all, or what effect a reduction in any such operations could have on Net Revenues, if any.

Airfares. Airline fares including ancillary fees have an important effect on passenger demand, particularly for relatively short trips for which the automobile and other travel modes are potential alternatives, and for price-sensitive "discretionary" travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend, in part, on the level of airfares.

Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and other competitive factors combined to reduce airfares between 2000 and 2005. During that period, the average domestic yield for U.S. airlines decreased from 14.9 cents to 12.7 cents per passenger-mile. In 2006 through 2008, as airlines reduced capacity and were able to sustain fare increases, the average domestic yield increased to 14.8 cents per passenger -mile. In 2009, yields again decreased, but, beginning in 2010, as airline travel demand increased and seat capacity was restricted, yields increased to 18.2 cents per passenger-mile by 2014. Beginning in 2006, ancillary charges have been introduced by most airlines for services such as checked baggage, preferred

seating, in-flight meals, and entertainment, thereby increasing the effective price of airline travel more than these yield figures indicate.

Low-Cost Carriers. Low-cost carriers ("LCCs") are carriers that take advantage of an operating cost structure that is significantly lower than the cost structure of the network carriers. These advantages can include lower labor costs, greater labor flexibility, a streamlined aircraft fleet (i.e., fewer different types of aircraft in a given airline's fleet) and a generally more efficient operation. These low costs suggest that the LCCs can offer a lower fare structure to the traveling public than network carriers while still maintaining profitability.

Ultra Low Cost Carriers ("ULCCs") have a 10% share in the US market, and when Frontier Airlines was serving the market had an approximately 3% share at the Airport. Below represents the carrier, PDEW, passenger share and fares for such carriers. Southwest is not considered a ULCC. When referring to ULCCs, it is typically understood that these are Spirit Airlines, Allegiant Air and Frontier Airlines.

U.S. Year Ended September 30, 2019*				BHM Year Ended September 30, 2019*			
Mkt AI	PDEW ⁽¹⁾	Pax Share ⁽²⁾	Fare ⁽³⁾	Mkt AI	PDEW ⁽¹⁾	Pax Share ⁽²⁾	Fare ⁽³⁾
Southwest Airlines	177,356	22.2%	\$132	Delta Airlines	1,204.2	32.6%	\$235
American Airlines	155,689	19.5%	208	Southwest Airlines	1,128.0	30.5%	153
Delta Airlines	154,822	19.4%	205	American Airlines	846.4	22.9%	235
United Airlines	118,374	14.8%	216	United Airlines	423.2	11.4%	235
Big 4		76.0%		Big 4		97.4%	
Alaska Airlines	49,033	6.1%	169	Alaska Airlines	0.0	0.0%	
JetBlue	41,106	5.1%	160	JetBlue	0.0	0.0%	
Hawaiian Airlines	11,553	1.4%	170	Hawaiian Airlines	0.0	0.0%	
Low Cost		12.7%		Low Cost	0.0	0.0%	
Sprint Airlines	36,365	4.6%	48	Sprint Airlines	0.0	0.0%	
Frontier Airlines	26,857	3.4%	56	Frontier Airlines	95.2	2.6%	46
Allegiant Air	19,970	2.5%	66	Allegiant Air	0.0	0.0%	
Ultra Low Cost		10.4%		Ultra Low Cost		2.6%	
Other	7,070	0.9%	101	Other	1.7	0.0%	319

Source: DIIO by Cirium

* Passenger and revenue figures in each row are per day and the non-directional average.

⁽¹⁾ Passengers daily "per day each way"

⁽²⁾ Represents percentage of PDEW for each airline indicated

⁽³⁾ Average one-way fare

As the larger U.S. carriers consolidated and became more focused on capacity discipline, fare increases took hold. LCCs began to emerge in larger markets where passenger levels were high enough for the LCCs to overcome certain barriers to entry caused by the larger carriers such as, for example, control of the majority of airport gates and slots. The cost structure of LCCs allows for lower fares, which has stimulated traffic and driven LCCs into more and larger markets. One result of the consolidation of carriers and their capacity discipline and the associated fare increases is that certain price-sensitive travelers are flying less. Recently, these budget-conscious flyers have emerged as an underserved segment which has helped to expand the LCC market to include the ULCCs, such as Allegiant Air and Spirit Airlines.

Such growing competition from low-cost, low-fare carriers has forced legacy carriers to implement route rationalization, including route transfers to regional partners and the reduction, or elimination, of service to unprofitable markets. Many airlines have reduced schedules, simplified fleets, deferred new aircraft delivery, implemented pay and benefit cuts, reduced workforces and sought bankruptcy protection.

Impact of Aviation Safety and Security Concerns on Air Travel Demand

Impact of Aviation Safety and Security Concerns. Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed sky marshals, federalization of airport security functions under the TSA, more effective dissemination of information about threats, more intensive screening of passengers, baggage and cargo, and deployment of new screening technologies. The airlines and the federal government were primarily responsible for, and bore most of the capital costs associated with, implementing the aforementioned security measures. The Authority is currently in compliance with all federally mandated security requirements. The TSA has introduced “pre-check” service to expedite the screening of passengers who have submitted to background checks.

Following the fatal crashes of the Boeing 737 MAX (the "B-737 MAX") aircraft that are suspected to have been caused by the malfunction of the aircraft's automated flight control system, all B-737 MAX aircraft were grounded by various aviation authorities in March 2019. Among North American airlines, Air Canada, American Southwest, and United are being affected. At the time of the grounding, B-737 MAX aircraft accounted for approximately 1.5% of all U.S. airline seat capacity. To date, the Authority has not perceived any material impact of this grounding on the number of flight operations conducted at the Airport, having experienced the loss of only 2 daily flights (LAS) due to the issue. As of the time of writing of this statement, those two flights have been restored using different aircraft. The Authority is unable to predict how quickly the flight control system software will be approved by the FAA and the grounding will be lifted, nor can the Authority predict what long-term impact, if any, the current grounding of the B-737 MAX will have on the Authority or its operations and revenues.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, public health and safety concerns, and international hostilities. Provided that precautions by government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, it can be expected that air travel demand at the Airport will depend primarily on economic, not safety or security, factors.

The Authority cannot predict the effect of any future government-required security measures on passenger activity at the Airport. Nor can the Authority predict how the federal government will staff security screening functions or the effect on passenger activity of government decisions regarding its staffing levels. The Authority, like many airport operators, has experienced increased operating costs due to compliance with federally mandated and other security and operating changes. The Authority cannot predict the likelihood of future terrorist incidents, the possibility of increased security restrictions, the likelihood of future air transportation disruptions or the impact on the Airport or the airlines from such incidents or disruptions.

Future Economic Losses Could Cause Airlines to Seek Bankruptcy Protection

Any sustained resumption of financial losses could cause U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines would drastically affect airline service at certain connecting hub airports, present business opportunities for the remaining airlines, and change airline travel patterns nationwide.

As noted above, the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition together caused the industry to experience huge financial losses. To mitigate those losses, all of the major network airlines restructured their route networks and flight schedules and reached agreement with their employees, lessors, vendors, and creditors to cut costs, either under Chapter 11 bankruptcy protection or the possibility of such.

Since 2001, several airlines with operations at the Airport have filed for and have subsequently emerged from bankruptcy protection, including United Airlines, Continental Airlines, Delta Air Lines, US Airways, and American Airlines. Additional bankruptcies, liquidations or major restructurings of other airlines could occur.

Between 2002 and 2005, Delta Air Lines, Northwest Airlines, United Airlines, and US Airways all filed for bankruptcy protection and restructured their operations. In 2002 through 2012, several ceased operations and/or filed for bankruptcy protection. Additional bankruptcy filings may occur in the future. Prior bankruptcies by airlines using the Authority's facilities have resulted in reductions of service levels by those particular airlines, even in cases where such airlines continued to operate in bankruptcy. Additional bankruptcies, liquidations or major restructurings of other airlines could occur. The bankruptcy of an airline with significant operations at the Airport, such as Southwest Airlines or Delta Airlines, would likely have a material adverse effect on operations at the Airport, Authority revenues, and the cost to the other airlines operating at the Airport.

Potential Effects of an Airline's Bankruptcy on the Airport's Operations

Effect of Bankruptcy on the Authority's Net Revenues and Legal Rights. The bankruptcy of an airline with significant operations at the Airport could have a material adverse effect on operations of the Airport and the costs of operation to the other airlines operating at the Airport. Prior bankruptcies by airlines using the Authority's facilities have resulted in reductions of service levels by those particular airlines, even in cases where such airlines continued to operate in bankruptcy. A bankruptcy of an airline operating at the Airport could result in a decrease in Net Revenues, along with delays or reductions in payments on the Series 2020 Bonds. The Authority's stream of payments from a debtor airline could be interrupted to the extent of unpaid fees for pre-petition goods and services, including accrued rent and landing fees. The Authority actively monitors past due balances to minimize any potential losses due to such proceedings, aggressively pursues overdue amounts and bankruptcy claims, and includes an allowance for uncollectible debts in its landing fee and terminal rental rates.

In the event of an airline bankruptcy, the automatic stay provisions of the United States Bankruptcy Code (the "Bankruptcy Code") could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by the airline to the Authority or any action to enforce any obligation of the airline to the Authority. With the authorization of the bankruptcy court, the airline may be able to reject some or all of its agreements with the Authority, including operating agreements, and stop performing its obligations (including payment obligations) under such agreements. The airline may be able, without the consent and over the objection of the Authority, the Trustee, and the Owners of the Series 2020 Bonds, to alter the terms, including the payment terms, of its agreements with the Authority, as long as the bankruptcy court determines that the alterations are fair and equitable.

In addition, with the authorization of the bankruptcy court, the airline may be able to assign its rights and obligations under any of its agreements with the Authority to another entity, despite any contractual provisions prohibiting such an assignment. The Trustee and the Owners of the Series 2020 Bonds may be required to return to the airline as preferential transfers any money that was used to make payments on the Series 2020 Bonds and that was received by the Authority or the Trustee from the airline during the 90 days immediately preceding the filing of the bankruptcy petition. Claims by the Authority under any agreement with the airline may be subject to limitations.

Effect of Bankruptcy on Airline Lease Agreements. In the event a bankruptcy case is filed with respect to any of the airlines that serve the Airport, the debtor or its bankruptcy trustee must determine within a time period determined by the court whether to assume or reject the airline's use and lease agreement or other lease agreements. A bankruptcy court could determine that any agreement between the Authority and the 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 might reject any such agreement. If assumed, the debtor would be required to cure any prior defaults and to provide adequate assurance of future performance under the relevant agreements. Rejection of a lease or executory contract by an airline would give the Authority an unsecured claim for damages, the amount of which in the case of a lease is limited by the Bankruptcy Code.

There may be delays in payments on the Series 2020 Bonds while the court considers any of these issues. There may be other possible effects from a bankruptcy filing by an airline that could result in delays or reductions in payments on the Series 2020 Bonds. Regardless of any specific adverse determinations by a court in an airline bankruptcy proceeding, an airline bankruptcy proceeding itself could have an adverse effect on the liquidity and value of the Series 2020 Bonds.

Effect of Bankruptcy on Passenger Facility Charges. Pursuant to 49 U.S.C. §40117 and the Wendell H. Ford Aviation Investment and Reform Act for the 21st Century (the "PFC Act"), the FAA has approved the

Authority's application to require the airlines to collect and remit to the Authority a \$4.50 PFC on each enplaning revenue passenger at the Airport as further discussed in "THE AUTHORITY – Capital Improvement Program – Passenger Facility Charges (PFCs)."

The PFC Act provides that PFCs collected by the airlines constitute a trust fund held for the beneficial interest of the eligible agency (i.e., the Authority) imposing the PFCs, except for any handling fee or retention of interest collected on unremitted proceeds. In addition, federal regulations require airlines to account for PFC collections separately and to disclose the existence and amount of funds regarded as trust funds for financial statements. However, the airlines are permitted to commingle PFC collections with other revenues and are also entitled to retain interest earned on PFC collections until such PFC collections are remitted.

In the event of a bankruptcy, the PFC Act, as amended in December 2003, provides that (1) PFCs are and remain trust funds, (2) the airline in bankruptcy may not grant to any third party any security or other interest in PFC Revenues, and (3) the airline in bankruptcy must segregate in a separate account PFC Revenues equal to its average monthly PFC liability as well as post-petition actual PFCs. Despite these enhanced statutory protections, it is unclear whether the Authority would be able to recover the full amount of PFC trust funds collected or accrued by an airline in the event of a liquidation or cessation of business. The Authority also cannot predict whether an airline operating at the Airport that files for bankruptcy would have properly accounted for PFCs owed to the Authority or whether the bankruptcy estate would have sufficient moneys to pay the Authority in full for PFCs owed by such airline. While the Authority expects to pay a portion of the Series 2020 Bond debt service from PFC proceeds, the PFCs are not legally pledged to the payment of the Series 2020 Bonds. For a discussion of the treatment of PFCs under the Indenture, See APPENDIX C – "FORM OF THE INDENTURE" – "Section 9.1 PFC Account".

Effects of Concessionaire Bankruptcy. A bankruptcy of any significant concessionaire at the Airport could also result in a decrease in Net Revenues, along with delays or reductions in payments on the Series 2020 Bonds, for reasons similar to those discussed above with respect to airline bankruptcies. Regardless of any specific adverse determinations by a court in a concessionaire bankruptcy proceeding, a bankruptcy proceeding itself could have an adverse effect on the liquidity and value of the Series 2020 Bonds.

Miscellaneous Risk Factors

Natural Disasters. In the event of a severe fire, flood or other natural disaster, there may be significant damage to airport facilities as well as buildings, roads, bridges, and property in the vicinity of the Airport. As a result, the availability of Net Revenues might be interrupted or not available to pay the principal of or interest on the Series 2020 Bonds as and when due.

Federal Funding and FAA Reauthorization. H.R. 302 (P.L. 115-254), the FAA Reauthorization Act of 2018, was signed into law on October 5, 2018. It extended FAA's funding and authorities through Fiscal Year 2023. The bill includes important legislative changes related to increasing the safety and pace of UAS integration, expediting the financing and development of airport capital projects, directing the FAA to advance leadership in the field of international supersonic aircraft policies, addressing aircraft noise, and ensuring safe lithium battery transport. Furthermore, the bill directs FAA to promote U.S. aerospace-related standards globally and allows the Agency to work with foreign partners to streamline certification processes for U.S. aircraft. The legislation also streamlines the FAA certification process to ensure that U.S. aviation manufacturers can compete globally and get their products to market on time, and fosters collaboration with industry stakeholders to streamline certification and regulatory processes and establish clear FAA performance objectives and metrics.

This five-year authorization of the FAA represents the first significant multi-year reauthorization since the FAA Modernization and Reform Act of 2012 (P.L. 112-95), and the first five-year reauthorization since 1982. The signing of the long-term bill frees up the Agency from the uncertainty of more short-term extensions and instead authorizes the reliable, predictable funding the FAA needs to invest in these critical priorities. Failure of Congress to reauthorize the FAA's operating authority beyond the current legislation, or adverse changes in the conditions placed on such authority, may have an adverse impact on Authority operations over the long-run because grants awarded under the FAA's Airport Improvement Program have been a significant source of financing for the Authority.

Impact of Federal Sequestration. Federal funding received by the Authority and aviation operations could be adversely affected by the implementation of sequestration – a unique budgetary feature first introduced in the Budget Control Act of 2011, which, among other things, reduced spending for most federal programs. Sequestration could also adversely affect FAA and TSA budgets, operations and the availability of certain federal grant funds anticipated to be received by the Authority, which may cause the FAA or TSA to implement furloughs of its employees and hiring freezes, including air traffic controllers, and result in flight delays and flight cancellations.

The Authority is unable to predict future sequestration funding cuts or furloughs or the impact of such actions on the Airport's airline traffic, grant receipts and Net Revenues. The Authority intends to take any commercially reasonable measures necessary to continue smooth operation of the Airport.

Competition from Travel Alternatives. Advancements in technology with teleconferences, video-conferences and web-based meetings have provided satisfactory alternatives to face-to-face business meetings. Such alternatives, in certain cases, have reduced and may continue to reduce the demand for air travel.

IT and Cybersecurity Risks. The Authority's information technology ("IT") systems are a significant part of its operational infrastructure. The Authority relies on its IT systems to manage construction projects, manage financial records, track assets, monitor certain facilities, and manage human resources. IT systems also enable the Authority to purchase products from suppliers, enhance Airport security, maintain cost-effective aviation operations and provide service to customers.

The Authority and other organizations face the risks of IT system failures and cybersecurity incidents. Among the potential risks and threats are the following: Internet, telecommunications or data network failures; power losses, hardware failures, and other disruptions in operations; operator negligence, intentional acts of vandalism, and other improper actions; cybersecurity attacks using stolen access credentials, malware, ransomware, phishing, structured query language injection attacks and denial-of-service attacks; the cost of recovering from a cybersecurity incident; loss of customer data due to security breaches, misappropriation and similar events; remediation costs related to liability for stolen assets or information and repairing damage that may have been caused; increased cybersecurity protection costs that may include insurance premiums, organizational changes, deploying additional personnel, training employees, and engaging outside experts and consultants; lost revenues; litigation; and reputational damage adversely affecting airline or investor confidence.

The Authority has implemented security measures and devoted significant resources to address potential cybersecurity and IT vulnerabilities. Its cybersecurity measures are designed, among other things, to train end users, control access to networks, prevent and detect system intrusion, protect software and hardware, eradicate malware, and recover from cybersecurity incidents. Nonetheless, it cannot be assured that a cyberattack or IT systems failure will not cause operational problems, disrupt aviation services, compromise important data or IT systems components, or result in unintended release of operational or employee information.

Other Risks and Investment Considerations

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 – Airport Use Agreements", the Authority will be re-negotiating its Airport Use Agreements as the current terms expire in August 2021.

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 its historical rates and charges methodology utilized by the Authority and the rates and charges imposed by it upon air carriers and other aeronautical users have been reasonable and consistent with applicable law. However, there can be no assurance that a complaint will not be brought against the Authority in the future, either based upon the rate methodology under the current Airport Use Agreements or under any successor agreement or method used by the Authority to impose charges on airlines serving Birmingham 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. See "REVENUES AND EXPENSES OF THE AUTHORITY AND OTHER FINANCIAL CONSIDERATIONS - Airport Use Agreements" above. 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 "airport use agreements" with the airlines or in setting rates and charges for the Airport's airfield and non-airfield facilities.

Environmental Regulations; Environmental Matters

Environmental Regulation. 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.

Climate change concerns have led, and may continue to lead, to new laws and regulations at the federal and state levels that could have a material adverse effect on the operations of the Authority and on the airlines operating at the Airport. The United States Environmental Protection Agency (the "EPA") has taken steps toward regulation of greenhouse gas ("GHG") emissions under existing federal law. Those steps may in turn lead to further regulation of aircraft GHG emissions. On July 5, 2011, the United States District Court for the District of Columbia issued an order concluding that the EPA has a mandatory obligation under the Clean Air Act to consider whether the GHG and black carbon emissions of aircraft engines endanger public health and welfare. On June 10, 2015, EPA proposed the finding that GHG emissions from certain aircraft cause and contribute to pollution that endangers public health and welfare. This proposed endangerment finding will be subject to public comment and EPA plans to finalize the aircraft endangerment finding in mid-2016. If finalized as proposed, EPA has stated its intent to propose GHG emission standards for covered aircraft that will be at least as stringent as emission standards under development by the International Civil Aviation Organization, which are scheduled for final review and adoption in 2016. The Authority cannot predict what the EPA's emission standards will be or what effect those standards may have on the Authority or on air traffic at the Airport.

Environmental Matters. In January 2020, the Authority received correspondence from the Environmental Litigation Group, P.C. ("ELG"), an Alabama-based law firm purporting to represent public bodies and private clients across the country as plaintiffs in a multi-district litigation in South Carolina against manufacturers and distributors of Aqueous Film-Forming Foams ("AFFF") and asking the Authority to join as a plaintiff in their lawsuit. In its letter, ELG relies on a chart prepared by the Environmental Working Group, a non-profit environmental organization ("EWG"), reportedly derived from multiple reports prepared by the U.S. Department of Defense ("DOD") during the period from 2016 through 2019, and alleges that the EWG chart and DOD studies reveal the existence of per- and polyfluoroalkyl substances ("PFAS") - chemicals associated with AFFF - in groundwater of the Airport. The EWG chart lists both U.S. Air Force bases and civilian airports that host Air National Guard units, like Birmingham and several others. The Authority subsequently received the EWG chart, but does not have any of the alleged DOD reports.

The Authority has learned that the FAA previously mandated the usage and testing of AFFFs at certain airports, including the Airport. The U.S. Environmental Protection Agency ("EPA") has determined that the toxicity, mobility, and bioaccumulation characteristics of two PFAS associated with AFFF, perfluorooctanoic acid ("PFOA") and perfluorooctane sulfonic acid ("PFOS"), pose potentially adverse effects for the environment and human health. In November 2016, EPA established lifetime health advisory screening level for drinking water at 70 parts per trillion for PFOS and PFOA combined. EPA issued a PFAS action plan in February 2019 and has, among other things, since issued preliminary determinations to regulate PFOS and PFOA under the Safe Drinking Water Act. According to public records, EPA is also considering regulating PFOA and PFOS as hazardous substances under Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), known also as Superfund.

The EWG chart asserts that DOD has made a determination that levels of certain PFAS have been identified in groundwater located on property of the Airport, and specifically reports a combined level of PFOS and PFOA of approximately 45,000 parts per trillion in groundwater. The Authority is not aware of any groundwater in

the vicinity of the Airport being used for drinking water. Although EPA has established a health advisory level for drinking water, the Authority is not aware of any minimum screening levels or other benchmarks established by EPA or other governmental authorities concerning PFOS and/or PFOA levels detected in groundwater. Neither EPA nor any other federal, state, or local government authority has made any request or recommendation regarding further investigation or remediation of PFAS at the Airport.

The City of Birmingham has leased a portion of the Airport property to the U.S. military (Air National Guard) for decades.

The Authority has not yet undertaken an investigation concerning the allegations made in the ELG letter or the EWG chart (nor has the Authority determined whether to join the action as requested by ELG). The Authority is currently evaluating the allegations respecting contamination of Airport groundwater in the ELG letter with its counsel. The lawful and/or appropriate remedies, and obligations of the Authority, if any, respecting, potential contamination of Airport property as alleged in the ELG letter and EWG chart provided therewith are undetermined at this time.

Limitation of Remedies

Under the terms of the Indenture, the remedies available to the Trustee and Holders of the Series 2020 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 2020 Bonds.

Various state laws, constitutional provisions, and federal laws and regulations apply to the obligations created by the issuance of the Series 2020 Bonds. There can be no assurance that there will not be any change in, interpretation of, or addition to the applicable laws or that such 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 2020 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 2020 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.

Availability of Information Concerning Individual Airlines

Certain of the airlines or their parent corporations operating at the Airport are subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, as such, are required to file periodic reports, including financial and operational data, with the SEC. These filings are available to the public over the internet at the SEC's website at <http://www.sec.gov>. Reports, proxy statements and other information filed by certain airlines can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. A prospective purchaser of such filings and information can call the SEC at 1-800-SEC-0330 for further information on the public reference rooms and copy charges.

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

Neither the Authority nor the Underwriters undertake any responsibility for and make no representations as to the accuracy or completeness of the content of information available from the SEC or the DOT as discussed in the preceding paragraphs, including, but not limited to, updates of such information or links to other Internet sites accessed through the SEC's web site. None of the airlines' reports or filings is incorporated by reference into this Official Statement.

Secondary Market

No assurance can be given concerning the existence of any secondary market for the Series 2020 Bonds or its creation or maintenance by the Underwriters. Thus, purchasers of Series 2020 Bonds should be prepared, if necessary, to hold their Series 2020 Bonds until their respective maturity dates.

Forward Looking Statements

This Official Statement contains statements relating to future results that are "forward-looking statements". When used in this Official Statement, the words "estimate", "anticipate", "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"). The form of the CDA is attached as APPENDIX F. 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 2020 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 2020 Bonds, any municipal securities broker or dealer, any potential purchaser of the Series 2020 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

In connection with previous issues of its obligations, the Authority undertook to provide annual filings of certain financial information and operating data pursuant to the requirements of the Rule. Portions of such annual financial information and operating data have been provided within the Authority's Comprehensive Annual Financial Statements (CAFR). For its fiscal year ended June 30, 2017, the Authority filed its CAFR and certain other operating data on EMMA on January 4, 2018, which was eight days after the due date for such filing provided in prior continuing disclosure agreements and twenty-four days after the date of the auditor's report contained in the CAFR. A related Notice of Late Filing was filed on EMMA on January 8, 2018.

For the Authority's fiscal year ended June 30, 2019, the Authority's completed CAFR was filed on EMMA on January 14, 2020, which was eighteen days after the due date for such filing and twenty-six days after the date of the auditor's report contained in the CAFR. A related Notice of Late Filing was filed on EMMA on January 14, 2020.

On or about November 18, 2019, the Authority called for redemption its then outstanding Airport Revenue Refunding Bonds, Series 2003-A (the "Series 2003-A Bonds"), and its then outstanding Airport Revenue Refunding Bonds, Series 2007 (the "Series 2007 Bonds"). The related material event notices were posted on EMMA more than ten business days after the date of such bond calls. On January 14, 2020, the Authority posted a notice on EMMA that confirmed that the Series 2003-A Bonds and Series 2007 Bonds had been redeemed and retired on or about December 31, 2019.

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 2020 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".

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 is 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 Official Statement or the validity of the Series 2020 Bonds, the improvements and equipment financed by the Series 2010 Bonds, the 1990 Indenture, 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 Official Statement. 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 2020 Bonds.

Opinions of Counsel

The legality and validity of the Series 2020 Bonds will be passed upon by Bradley Arant Boult Cummings LLP and by Ken Simon Law, as Co-Bond Counsel to the Authority. The proposed form of the legal opinion to be delivered by Co-Bond Counsel to the Authority at closing is attached hereto as APPENDIX D. Certain legal matters will be passed on for the Authority by Maynard Cooper & Gale, P.C. and Kelvin W. Howard, LLC, as Co-Counsel to the Authority. Certain legal matters will be passed on for the Underwriters by Ezell Law, LLC, as Counsel to the Underwriters.

UNDERWRITING

The Series 2020 Bonds are being purchased by the Underwriters shown on the cover page of this Official Statement (the "Underwriters") at a purchase price of \$121,585,828.20, which reflects the original principal amount of the Series 2020 Bonds, plus an original issue premium of \$19,959,828.20, and less an underwriting discount of \$504,000.00. The Underwriters may offer and sell the Series 2020 Bonds to certain dealers (including dealers depositing the Series 2020 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.

Piper Sandler & Co. has entered into a Distribution Agreement (the "Piper Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co.") for the retail distribution of certain securities offerings including the Series 2020 Bonds at the original issue prices. Pursuant to the Piper Distribution Agreement, CS&Co. will purchase Series 2020 Bonds from Piper Sandler & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Series 2020 Bonds that CS&Co. sells.

Morgan Stanley & Co. LLC, one of the Underwriters of the Series 2020 Bonds, has entered into a retail distribution arrangement with its affiliate Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series 2020 Bonds.

RATINGS

Moody's Investor Services, Inc. ("Moody's") and Fitch Ratings, Inc. ("Fitch") have assigned ratings to the Series 2020 Bonds of "A3" (stable outlook) and "A-" (negative outlook), respectively. S&P Global Ratings ("S&P") is expected to assign the Series 2020 Bonds a rating of "AA" with the understanding that, upon delivery of the Series 2020 Bonds, BAM will deliver the Policy to the Trustee.

The underlying rating provided by each of Moody's and Fitch reflects that agency's rating of the creditworthiness of the Authority with respect to obligations payable from Net Revenues. The insured rating provided by S&P respecting the Series 2020 Bonds reflects such agency's current assessment of the creditworthiness of BAM, and its ability to pay claims on its policies of insurance such as the Policy.

Any further explanation of the significance of such ratings may be obtained only from the appropriate credit rating agency. The Authority furnished to Moody's and Fitch the information contained in this Official Statement and certain other information respecting the Authority and the Series 2020 Bonds. Generally, rating agencies base their underlying ratings on such materials and information, as well as on their own investigations, studies and assumptions.

The ratings indicated above are not recommendations to buy, sell or hold the Series 2020 Bonds, and any such ratings may be subject to revision or withdrawal at any time by the aforesaid credit rating agencies. Any downward revision or withdrawal of any or all of such rating may have an adverse effect on the market price of the affected Series 2020 Bonds. Neither the Authority nor the Underwriters have undertaken any responsibility either to bring to the attention of the holders of Series 2020 Bonds any proposed revision, suspension or withdrawal of a rating or to oppose any such revision, suspension or withdrawal.

TAX MATTERS

General

In the opinion of each of Bradley Arant Boult Cummings LLP and Ken Simon Law, 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 2020 Bonds will be excluded from gross income for federal income tax purposes, except for interest on any Series 2020 Bond during any period while it is held by a "substantial user" of the facilities financed by the Series 2020 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 2020 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 2020 Bonds to be included in gross income, retroactive to the date of issuance of the Series 2020 Bonds. The Authority has covenanted to comply with all such requirements.

Co-Bond Counsel to the Authority is also of the opinion that, under existing law, interest on the Series 2020 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 to the Authority will express no opinion regarding federal tax consequences arising with regard to the Series 2020 Bonds other than the opinions expressed in the two preceding paragraphs. The form of approval opinion to be provided by each Co-Bond Counsel to the Authority is expected to be substantially as set forth in APPENDIX D to this Official Statement.

Prospective purchasers of the Series 2020 Bonds should be aware that ownership of the Series 2020 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 2020 Bonds. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Series 2020 Bonds should consult their tax advisors as to collateral federal income tax consequences.

Each of Co-Bond Counsel to the Authority is also of the opinion that, under existing law, interest on the Series 2020 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 2020 Bonds. It does not purport to deal with all aspects of federal taxation that may be relevant to a particular owner of a Series 2020 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 2020 Bonds.

Prospective owners of the Series 2020 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 2020 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 Premium

An amount equal to the excess of the purchase price of the Series 2020 Bond over its stated redemption price at maturity constitutes premium on such Series 2020 Bond. A purchaser of a Series 2020 Bond must amortize any premium over such Series 2020 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 2020 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 2020 Bond prior to its maturity. Even though the purchaser's basis is reduced, no federal income tax deduction is allowed. Purchasers of any Series 2020 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 2020 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 2020 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 2020 Bonds from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

Series 2020 Bonds Not Bank Qualified

The Series 2020 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, 2019 attached to this Official Statement as APPENDIX B have been audited by Banks, Finley, White & Co., independent certified public accountants, as stated in their report that is also included in APPENDIX B to this Official Statement. Banks, Finley, White & Co. has not performed any procedures in connection with the issuance of the Bonds or the inclusion of the June 30, 2019 audited financial statements with this Official Statement.

MUNICIPAL ADVISOR

Porter, White & Company, Inc., Birmingham, Alabama, is serving as Municipal Advisor to the Authority with respect to the issuance of the Series 2020 Bonds. The Municipal Advisor assisted in the preparation of this Official Statement and in other matters relating to the planning, structuring and issuance of the Series 2020 Bonds and provided other advice. Although the Municipal Advisor assisted in the preparation of this Official Statement, the Municipal Advisor was not and is not obligated to undertake, and has not undertaken to make, an independent verification, and assumes no responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

FORWARD-LOOKING STATEMENTS

The statements contained in this Official Statement, and in any other information provided by the Authority, that are not purely historical, are forward-looking statements, including statements regarding the Authority'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 Official Statement 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 note that the Authority's and the Airport's actual results could differ materially from those such forward-looking statements.

The forward-looking statements contained in this Official Statement are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Authority. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

MISCELLANEOUS

There are appended to this Official Statement certain economic and demographic information, audited financial statements of the Birmingham Airport Authority for the fiscal year ended June 30, 2019, and the report thereon of Banks, Finley, White & Co., dated December 19, 2019, the form of the Indenture, the proposed form of approval opinion to be provided by each Co-Bond Counsel, the terms of the book-entry only system, a copy of the CDA.

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The information contained herein regarding the Bond Insurer and the bond insurance policy was provided by the Bond Insurer and has not been independently verified by the Authority.

The distribution of this Official Statement and its use in the issuance and sale of the Series 2020 Bonds have been authorized by the Authority.

BIRMINGHAM AIRPORT AUTHORITY

/s/ Darlene L. Wilson

Chair of Audit and Finance Committee
of the
Board of Directors

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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 2010 Census population of 212,237 and an estimated 2018 population of 209,880. 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 5,279 square miles. The Birmingham-Hoover MSA had an estimated population in 2018 of 1,151,801.

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.

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 slight loss in population between 2010 and 2019, the Birmingham-Hoover MSA population grew during that same period. The following table summarizes historical population trends for the City, Jefferson County, the Birmingham-Hoover MSA and the State of Alabama.

Census Year	City of Birmingham	Jefferson County	Birmingham-Hoover MSA	State of Alabama
1970	300,910	644,991	794,083	3,444,165
1980	286,799	671,371	883,993	3,893,888
1990	265,968	651,525	956,668	4,040,587
2000	242,820	662,047	1,051,340	4,447,092
2010	212,237	658,466	1,128,047	4,779,736
2019	209,880	659,300	1,151,801	4,887,871

⁽¹⁾ Estimate as of July 1, 2019.

Source: U.S. Census Bureau, Population Division

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

Year	Total Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
2014	92,992	85,700	7,292	7.8%
2015	92,598	86,020	6,578	7.1
2016	92,691	86,238	6,453	7.0
2017	91,404	86,548	4,856	5.3
2018	92,365	88,113	4,252	4.6
2019	94,378	90,930	3,448	3.7

*The Birmingham-Hoover Metropolitan Statistical Area is comprised of Jefferson, Bibb, Blount, Chilton, Jefferson, St. Clair and Shelby Counties.

Source: Estimates prepared by Alabama Department of Labor in cooperation with the Bureau of Labor Statistics, based on 2018 benchmark.

Birmingham-Hoover MSA*

Year	Total Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
2014	535,977	503,969	32,008	6.0%
2015	535,390	506,078	29,312	5.5
2016	537,678	508,206	29,472	5.5
2017	534,617	513,044	21,573	4.0
2018	544,863	525,609	19,254	3.5
2019	558,159	542,475	15,684	2.8

*The Birmingham-Hoover Metropolitan Statistical Area is comprised of Jefferson, Bibb, Blount, Chilton, Jefferson, St. Clair and Shelby Counties.

Source: Estimates prepared by Alabama Department of Labor in cooperation with the Bureau of Labor Statistics, based on 2018 benchmark.

Jefferson County

Year	Total Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
2014	312,247	292,621	19,626	6.3%
2015	310,883	292,958	17,925	5.8
2016	311,128	293,251	17,877	5.7
2017	309,076	295,970	13,106	4.2
2018	314,014	302,359	11,655	3.7
2019	321,535	312,028	9,507	3.0

Source: Estimates prepared by Alabama Department of Labor in cooperation with the Bureau of Labor Statistics, based on 2018 benchmark.

Shelby County

Year	Total Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
2014	107,208	102,400	4,808	4.5%
2015	108,246	103,961	4,555	4.2
2016	109,762	105,053	4,709	4.3
2017	111,325	107,723	3,602	3.2
2018	112,891	109,672	3,219	2.9
2019	115,806	113,183	2,623	2.3

Source: Estimates prepared by Alabama Department of Labor in cooperation with the Bureau of Labor Statistics, based on 2018 benchmark.

State of Alabama

Year	Total Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
2014	2,160,842	2,014,290	146,552	6.8%
2015	2,158,293	2,026,898	131,935	6.1
2016	2,177,209	2,049,971	127,238	5.8
2017	2,178,243	2,081,676	96,567	4.4
2018	2,198,837	2,112,347	86,490	3.9
2019	2,249,719	2,179,489	70,230	3.1

Source: Estimates prepared by Alabama Department of Labor in cooperation with the Bureau of Labor Statistics, based on 2018 benchmark.

United States

Year	Total Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
2014	155,922,000	146,305,000	9,616,000	6.2%
2015	157,130,000	148,833,000	8,296,000	5.3
2016	159,187,000	151,436,000	7,751,000	4.9
2017	160,320,000	153,337,000	6,982,000	4.4
2018	162,075,000	155,761,000	6,314,000	3.9
2019	163,538,666	157,538,083	6,000,583	3.7

Source: Estimates prepared by Alabama Department of Labor in cooperation with the Bureau of Labor Statistics, based on 2018 benchmark.

As has been widely reported, the COVID-19 pandemic has resulted in significantly increased rates of unemployment throughout the United States of America. The following presents unemployment estimates for the areas indicated for each of the months April 2020, March 2020, and April 2019 prepared and reported by the Alabama Department of Labor:

City of Birmingham				
Month	Civilian Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
April 2020	94,152	79,495	14,657	15.6%
March 2020	92,523	89,239	3,284	3.5
April 2019	92,517	89,711	2,806	3.0

Birmingham-Hoover MSA				
Month	Civilian Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
April 2020	541,326	476,796	64,530	11.9%
March 2020	550,316	535,413	14,903	2.7
April 2019	551,555	538,427	13,128	2.4

Jefferson County				
Month	Civilian Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
April 2020	313,537	273,910	39,627	12.6%
March 2020	316,463	307,482	8,981	2.8
April 2019	317,025	309,107	7,918	2.5

Shelby County				
Month	Civilian Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
April 2020	110,465	100,282	10,183	9.2%
March 2020	115,144	112,610	2,534	2.2
April 2019	115,424	113,210	2,214	1.9

State of Alabama				
Month	Civilian Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
April 2020	2,195,170	1,904,172	290,998	13.3%
March 2020	2,227,113	2,160,067	67,046	3.0
April 2019	2,235,992	2,117,000	58,992	2.6

United States				
Month	Civilian Labor Force	Employed Labor Force	Unemployed Labor Force	Unemployment Rate
April 2020	155,830,000	133,326,000	22,504,000	14.4%
March 2020	162,537,000	155,167,000	7,370,000	4.5
April 2019	162,097,000	156,710,000	5,387,000	3.3

Source: Estimates prepared by Alabama Department of Labor in cooperation with the Bureau of Labor Statistics, based on a 2019 benchmark.

The following table lists the 25 largest employers in the Birmingham-Hoover MSA in 2017-2018:

**BIRMINGHAM-HOOVER MSA
LARGEST EMPLOYERS
2017-2018**

Employer	Product/Service	Approximate Number of Employees
University of Alabama at Birmingham	Education and health care services	23,000
Regions Financial Corporation	Financial services, banking, corporate headquarters	9,000
St. Vincent's Health System (Jefferson, Blount, St. Clair Counties)	Health care services, hospital network serving metro Birmingham	5,100
Children's of Alabama	Health care services, regional specialized health care	5,000
AT&T	Telecommunications, regional operations	4,517
Honda Manufacturing of Alabama*	Manufacturing, vehicle assembly plant	4,500
Brookwood Baptist Health	Health care services, management	4,459
Jefferson County Board of Education	County public schools	4,400
City of Birmingham	City government	4,200
Mercedes-Benz U.S. International, Inc.*	Manufacturing, vehicle assembly plant	3,600
Blue Cross-Blue Shield of Alabama	Financial services, insurance, corporate headquarters	3,100
Alabama Power Company	Utilities services, electrical, corporate headquarters	3,092
Birmingham City Board of Education	City public schools	2,721
Jefferson County Commission	County government	2,500
Shelby County Board of Education	County Public Schools	2,491
Birmingham Veterans Affairs Medical Center	Health care services, regional comprehensive medical facility	2,440
BBVA Compass	Financial services, banking, North American headquarters	2,285
Grandview Medical Center	Health care services, hospital	2,172
U.S. Postal Service	Government, mail processing and delivery	2,000
Wells Fargo	Financial services, banking, business processing center	1,978
Southern Company Services	Utilities services, shared services division of Southern Company	1,881
Social Security Administration	Financial services, Southeastern U.S. business processing center	1,800
Hoover Board of Education	City public schools	1,773
Dollar General Distribution Center	Wholesale distribution (regional), retail Merchandise	1,700
EBSCO Industries, Inc.	Professional services and manufacturing conglomerate	1,600

Source: Source: Birmingham Business Alliance (2017-2018 Metropolitan Birmingham Major Employers)

* Located outside the Birmingham-Hoover MSA.

The following table lists the 10 largest employers in Jefferson County in 2017-2018:

**JEFFERSON COUNTY
LARGEST EMPLOYERS
2017-2018**

Employer	Product/Service	Approximate Number of Employees
University of Alabama at Birmingham	Education and health care services	23,000
Regions Financial Corporation	Financial services, banking, corporate headquarters	9,000
St. Vincent's Health System (Jefferson, Blount and St. Clair Counties)	Health care services, hospital network serving metro Birmingham	5,100
Children's of Alabama	Health care services, regional specialized health care	5,000
AT&T	Telecommunications, regional operations	4,517
Brookwood Baptist Health	Health care services, management	4,459
Jefferson County Board of Education	County public schools	4,400
City of Birmingham	City government	4,200
Blue Cross-Blue Shield of Alabama	Financial services, insurance, corporate headquarters	3,100
Alabama Power Company	Utilities services, electrical, corporate headquarters	3,092

Source: Source: Birmingham Business Alliance (2017-2018 Metropolitan Birmingham Major Employers) Located outside the Birmingham-Hoover MSA.

The following table sets forth major industry statistics for the Birmingham-Hoover MSA as of November 2019:

Birmingham-Hoover MSA Employment by Industry	November 2019
<u>BIRMINGHAM - HOOVER MSA</u>	
TOTAL NONAGRICULTURAL EMPLOYMENT	553,600
GOODS PRODUCING	
Mining and Logging	2,700
Construction	29,400
Specialty Trade Contractors	17,300
Manufacturing	39,400
Durable Goods	27,900
Primary Metal Manufacturing	5,400
Nondurable Goods	11,500
Food Manufacturing	4,400
SERVICE PROVIDING	
Trade, Transportation, and Utilities	482,100
Wholesale Trade	110,200
Merchant Wholesalers	28,000
Retail Trade	13,600
General Merchandise Stores	59,000
Transportation, Warehousing and Utilities	14,800
Utilities	23,200
Transportation and Warehousing	6,600
Information	16,600
Telecommunication	7,300
	3,300

Financial Activities	42,700
Finance and Insurance	35,200
Credit Intermediation and Related	17,100
Insurance Carriers and Related	15,200
Professional and Business Services	69,400
Professional, Scientific and Technical Services	28,000
Management of Companies and Enterprises	8,500
Admin., Support and Waste Management	32,900
Education and Health Services	78,500
Health Care and Social Assistance	70,500
Ambulatory Healthcare	31,400
Hospitals	18,100
Leisure and Hospitality	56,700
Food Service and Drinking Places	43,700
Other Services	31,300
Government	86,000
Federal	9,500
State	32,600
Local	43,900

Preliminary. As of November 2019.

Estimates prepared by the U.S. Department of Labor, Bureau of Labor Statistics.

Estimates adjusted to a 2018 benchmark. Based on the North American Industry Classification System (NAICS), 2017.

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 2018. Per capita personal income in the Birmingham-Hoover MSA was slightly below the national average in 2018, while per capita personal income in the County was slightly above the national average in 2018.

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

Year	United States	State of Alabama	Birmingham-Hoover MSA	Jefferson County
2018	\$54,446	\$42,238	\$50,979	\$54,730
2017	51,885	40,467	48,618	52,128
2016	49,870	39,224	45,795	49,386
2015	48,978	38,644	45,115	48,542
2014	47,058	37,266	43,256	46,366
2013	44,851	36,107	42,460	46,067
2012	44,599	35,884	42,796	47,156
2011	42,735	34,997	40,842	43,588
2010	40,546	33,752	39,279	42,115
2009	39,284	32,608	37,932	40,248

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

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.

Year	United States	State of Alabama	Birmingham-Hoover MSA	Jefferson County
2019	\$75,500	\$63,500	\$74,400	\$74,400
2018	71,900	60,200	71,000	71,000
2017	68,000	55,500	63,100	63,100
2016	65,700	55,500	64,000	64,000
2015	65,900	55,500	62,500	62,500
2014	63,900	54,100	61,000	61,000
2013	64,400	53,600	57,100	57,100
2012	65,000	55,400	62,800	62,800
2011	64,200	54,600	62,000	62,000
2010	63,000	54,100	61,700	61,700

Source: HUD Office of Economic Affairs, Economic and Market Analysis Division

Education

The Jefferson County public school system enrolled approximately 36,161 students in 59 schools in the 2019-2020 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 45,799.

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 22,080. The UAB Medical Center hosts the schools of medicine, dentistry, nursing, optometry and public health and the School of Community and Allied Health.

Institutions of Higher Education Jefferson County

<u>Name</u>	<u>Type</u>	<u>Approximate Enrollment</u>
Four-Year		
University of Alabama at Birmingham	State Supported	22,080
Samford University	Private	5,692
Miles College	Private	2,000
Birmingham-Southern College	Private	1,500
Junior Colleges and Trade Schools		
Jefferson State Community College	State Supported	8,516
Lawson State Community College	State Supported	5,460
Herzing College of Business & Technology	Private	551

The chart below shows for 2018 (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 2018, 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 2018 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	89.0%	30.2%
State of Alabama	86.6%	25.5%
United States	88.8%	31.3%

* 25 years old or older

Source: U.S. Census Bureau, American Community Survey 1-Year Estimates, 2018

Housing and Construction

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

Median Value. The following table sets forth the median value of owner-occupied housing units in 2018 for the City, Jefferson County, Shelby County and the Birmingham-Hoover MSA:

	City of Birmingham	Jefferson County	Shelby County	Birmingham- Hoover MSA
Median Value	\$93,400	\$145,700	\$132,100	\$152,200

Source: United States Census Bureau, American Community Survey, 2018

Composition of Housing Units. The following tables set forth certain information concerning housing in the City, Jefferson County, Shelby County and the Birmingham-Hoover MSA:

	City of Birmingham	Jefferson County	Shelby County	Birmingham- Hoover MSA
Renter	41,083	97,191	15,397	135,655
Owner	<u>46,748</u>	<u>164,199</u>	<u>65,547</u>	<u>304,606</u>
Total Occupied Housing Units	87,831	261,390	80,944	440,621
Unoccupied Housing Units	<u>28,326</u>	<u>44,720</u>	<u>7,449</u>	<u>71,195</u>
Total Housing Units	116,157	306,110	88,393	511,816

Source: United States Census Bureau, American Community Survey, 2018

	City of Birmingham	Jefferson County	Shelby County	Birmingham- Hoover MSA
Family Households	44,755	165,380	55,341	294,202
Non-Family Households	<u>43,076</u>	<u>96,010</u>	<u>25,603</u>	<u>146,059</u>
Total Households	87,831	261,390	80,944	440,261
Mobile Home or Trailer	894	9,425	6,343	49,258

Source: United States Census Bureau, American Community Survey, 2018

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>
2010	108	18,519	8	348	35,895
2011	112	20,548	1	51	2,062
2012	76	15,144	20	501	39,968
2013	74	17,912	20	178	893,910
2014	71	16,101	35	1,246	111,240
2015	33	10,130	11	911	103,584
2016	88	18,648	18	521	68,216
2017	101	19,285	3	51	12,085
2018	58	13,608	38	245	23,926
2019	76	15,684	15	897	143,502

Source: City of Birmingham, Department of Planning, Engineering and Permits

**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>Permits Issued and Units</u>	<u>Construction Cost (000s)</u>
2010	1,563	275,049	361	37,360
2011	1,795	346,975	567	41,806
2012	1,847	410,574	5,148	97,756
2013	2,016	486,654	760	72,138
2014	2,337	524,212	1,046	94,882
2015	2,414	585,974	1,319	118,064
2016	2,730	645,696	582	79,772
2017	2,677	653,095	12	1,633
2018	2,698	733,902	327	31,801

Source: U.S. Census Bureau, Building Permits Survey

APPENDIX B

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

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BIRMINGHAM AIRPORT AUTHORITY

2019 COMPREHENSIVE ANNUAL FINANCIAL REPORT

OF THE BIRMINGHAM AIRPORT AUTHORITY

A COMPONENT UNIT OF THE CITY OF BIRMINGHAM, ALABAMA

FOR THE FISCAL YEAR ENDED JUNE 30, 2019 AND 2018

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Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Birmingham Airport Authority
Alabama**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

Christopher P. Morill

Executive Director/CEO



BOARD OF DIRECTORS



DAVID GERNANY

BAA Chairman
Protective Life Corporation



BOBBIE KNIGHT

BAA Vice Chairman
Alabama Power Company, Retired
Interim President of Miles College



CHRIS JOHNSON

BAA Secretary
Stifel Public Finance
Vice President



ROBERT EARL KELLY

Kelly Roadbuilders Inc.



EDGAR MARX, JR.

Marx Brothers, Inc.



BILL SMITH

Landing



DARLENE WILSON

Relay Accounting Management

EXECUTIVE TEAM



RONALD F. MATHIEU, C.M.

President & CEO



CATHRYN SMITH

Executive Assistant and
Board Administrator



JIM PAYNE, C.M., A.C.E.

Chief Operating Officer



MANI IYER, B.S., M.B.A.

Interim Chief Financial Officer



MARCELO LIMA, A.A.E.

Vice President of
Planning and Development



CAMERON THOMPSON, A.C.E.

Vice President of Operations



MIKE THOMPSON, C.M.

Vice President of Facilities



TJ WILLIAMS

Vice President of Air Service
Development



CANDACE O'NEIL

Manager of Public Relations
and Marketing

LETTER OF TRANSMITTAL TO THE BOARD

Board of Directors
Birmingham Airport Authority
5900 Messer Airport Highway
Birmingham, Alabama 35212

December 19, 2019



Ladies and Gentlemen:

It is our pleasure to present the Comprehensive Annual Financial Report (CAFR) of the Birmingham Airport Authority ("the Authority"), for the fiscal year ended June 30, 2019 and 2018. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with management of the Authority. To the best of our knowledge and belief the enclosed information is accurate and complete in all material respects and reported in a manner designed to present fairly the financial position, results of operations, and cash flows in accordance with the Generally Accepted Accounting Principles (GAAP).

GAAP requires that management provide a narrative overview and analysis to accompany the financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal should be read in conjunction with the MD&A, which can be found immediately following the report of the independent auditors in the financial section of the CAFR.

Organization

The Authority is an independent authority of the City of Birmingham ("the City") that was established in June 1986. Birmingham-Shuttlesworth International Airport ("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 a seven-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 appointed by the City Council. Directors are appointed to staggered six-year terms. The Mayor is a non-voting ex-officio director. The current members of the Board are David Germany (Chairperson), Bobbie Knight, Christopher Johnson, Robert Earl Kelly, Edgar Marx Jr., Bill Smith, Darlene Wilson, and Randall Woodfin (Mayor Ex Officio Member).

The operations and improvements at the Airport are funded by airport user charges, Passenger Facility Charges (PFC's), Customer Facility Charges (CFC's), 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. Mr. Ronald F. Mathieu, President and Chief Executive Officer, has overall responsibility for the management, administration, and planning of organizational activities for the Authority. Mr. Mathieu 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.

Economic Conditions

The City of Birmingham area continues to show improvement in a recovering economy. The Birmingham-Hoover Metropolitan Statistical Area unemployment rate for June 2019 was 3.1%, which was below the State of Alabama and the national rates of 3.5% and 3.7%, respectively.

The primary service region for the Birmingham-Shuttlesworth International Airport, the seven-county Birmingham-Hoover Metropolitan Statistical Area ("MSA"), has a diverse economic base and is the principal center of finance, trade, health care, manufacturing, transportation and education in the State of Alabama. The MSA includes the following seven counties, ordered based on population size (largest to smallest): Jefferson, Shelby, St. Clair, Walker, Blount, Chilton, and Bibb. Jefferson County, which has an estimated population of approximately 660,000 in 2019, is the center of the seven-county Birmingham-Hoover Metropolitan Statistical Area (MSA), which covers 6,145 square miles. Birmingham, the State's largest city and the county seat, has an estimated population of approximately 209,000 in 2019.

With over 3.1 million passengers annually, the Airport is Alabama's busiest commercial service airport. Currently, the Airport is served by five major airlines providing travelers with 112 daily flights and service to 18 airports in 15 cities. In addition to these passenger carriers, the Airport is served by three all-cargo operators: Federal Express (FedEx), Mountain Air, and United Parcel Service (UPS). Combined with the "belly" cargo transported by the passenger airlines, more than 86,000 tons of landing weight is attributable to cargo at the Airport each year. The Airport also receives significant activity by General Aviation (GA) aircraft. Of the 105,000 operations reported for FY 2019, 39% were categorized as general aviation activity. GA is a broad classification covering all aviation activity other than scheduled commercial service and military aviation. General Aviation activity, therefore, covers a range that includes a personal, business, training, and emergency service activity.

Major Initiatives and Development

The Authority's five-year Capital Improvement Plan (CIP) for fiscal years 2020 - 2024 has appropriation requirements of approximately \$166.7 million dollars, with 29.3% of appropriations planned for fiscal year 2020 as of June 30, 2019. This CIP was developed in conjunction with the master plan study currently being completed. Future improvements will be funded with airport funds, proceeds from new bond issues, FAA and other grants, passenger facility charges, and rental car customer facility charges. The Authority continually reviews its CIP to address changing economic and air traffic demands, operating conditions,

LETTER OF TRANSMITTAL TO THE BOARD

and assessments of facility condition.

The Authority is proceeding with the planning, procurement, and design of a new Rental Car Quick Turn Around Facility (QTA). The new QTA facility is projected to be completed by the first quarter of 2020 and will include maintenance and washing bays, staging areas for fleet management, and administration space for all four rental car brand families operating at the airport. Currently, the rental car agencies are meeting these obligations at non-contingent locations near the economy parking lot.

Financial Information

Management's Discussion and Analysis (MD&A), starting on page 21, summarizes the Authority's Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position and reviews the changes from the beginning to the end of fiscal year 2018 as well as certain comparisons of the current year to the prior year. The actual financial statements and related footnotes are presented on pages 30 to 70. The information contained in the MD&A should be considered in conjunction with the information contained in this report.

Internal Control Structure Framework

The financial statements of the Authority are prepared following U.S. Generally Accepted Accounting Principles applicable to governmental unit enterprise funds. This results in financial statements prepared on the full accrual basis. Internal control is a process affected by an entity's governing board, management, and other personnel and designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) safeguarding of assets from loss from unauthorized use or disposition; (b) execution of transactions in accordance with management's authorization; (c) reliability of financial records for preparing financial statements and maintaining accountability for assets; (d) effectiveness and efficiency of operations; and (e) compliance with applicable laws and regulations, including contracts and grant agreements.

Internal controls, no matter how well designed and operated, can provide only reasonable assurance to management and the board regarding achievement of an entity's control objectives. The likelihood of achievement is affected by limitations inherent to internal control. Such limitations include:

- Human judgment in decision-making can be faulty;
- Breakdowns in internal controls can occur due to errors or mistakes;
- Controls can be circumvented by the collusion of two or more people or management override of internal controls;
- Costs of an entity's internal controls should not exceed the benefits that are expected to be derived; and
- Custom, culture and the corporate governance system inhibit irregularities by management, but they are not absolute deterrents.

All internal control evaluations occur within the above framework. We believe that the Authority's internal controls adequately meet the objectives listed above and have devoted considerable time this past year to attract and retain individuals in our Finance Department who embrace the concept of a healthy internal control environment.

Independent Audit

Our independent auditors, Banks, Finley, White & Co., audit the financial statements of the Authority each year. The financial section of this report includes the independent auditor's report on the basic financial statements.

The Authority is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act of 1984, the U.S. Office of Management and Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200, "Audits of State and Local Governments." All schedules and reports required under these federal and state regulations are included in the compliance section of this report.

Award of Financial Reporting Achievement

Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Birmingham Airport Authority for its comprehensive annual financial report for the fiscal year ended June 30, 2018. This was the second consecutive year that the Authority has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both Generally Accepted Accounting Principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and are submitting it to GFOA to determine its eligibility for another certificate.

Respectfully Submitted,

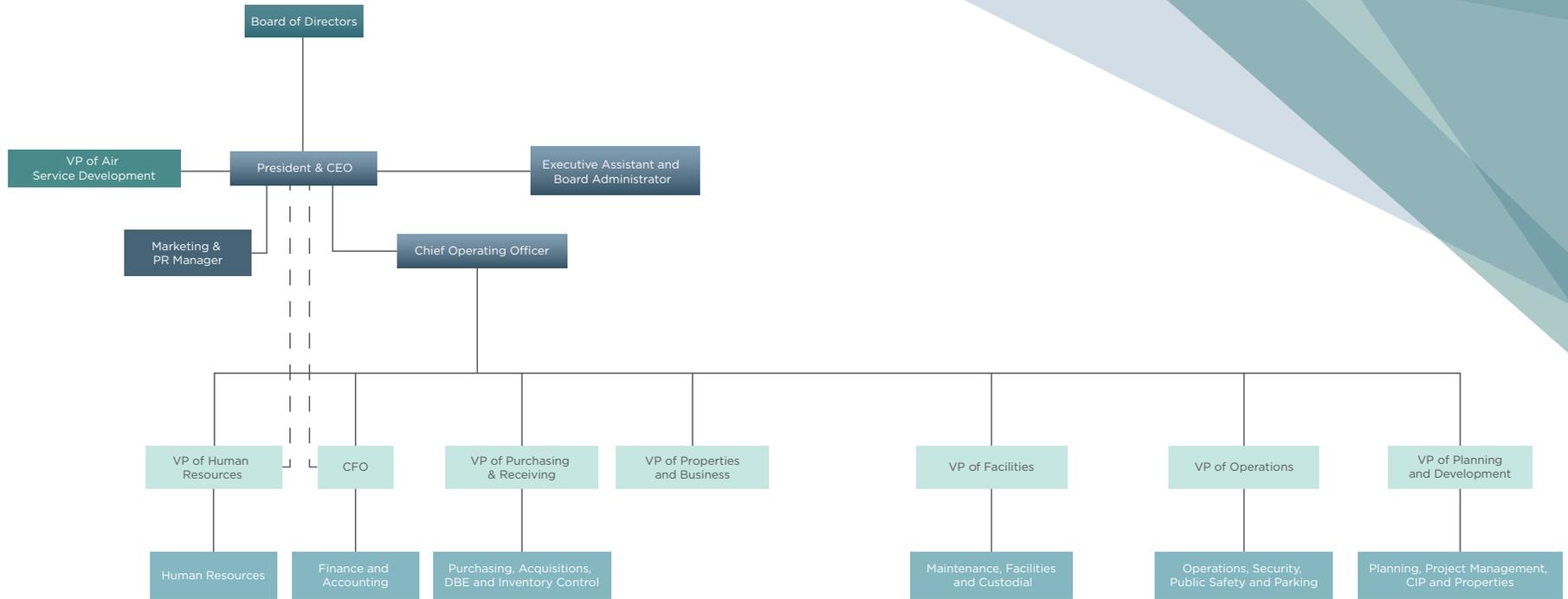


Ronald F. Mathieu
President and Chief Executive Officer



Mani Kher
Interim Chief Financial Officer

ORGANIZATIONAL CHART





— ROLE OF THE AIRPORT —
**A TRANSPORTATION
HUB**

**A MARKET
PLACE**



**AN ECONOMIC
ENGINE**



MISSION

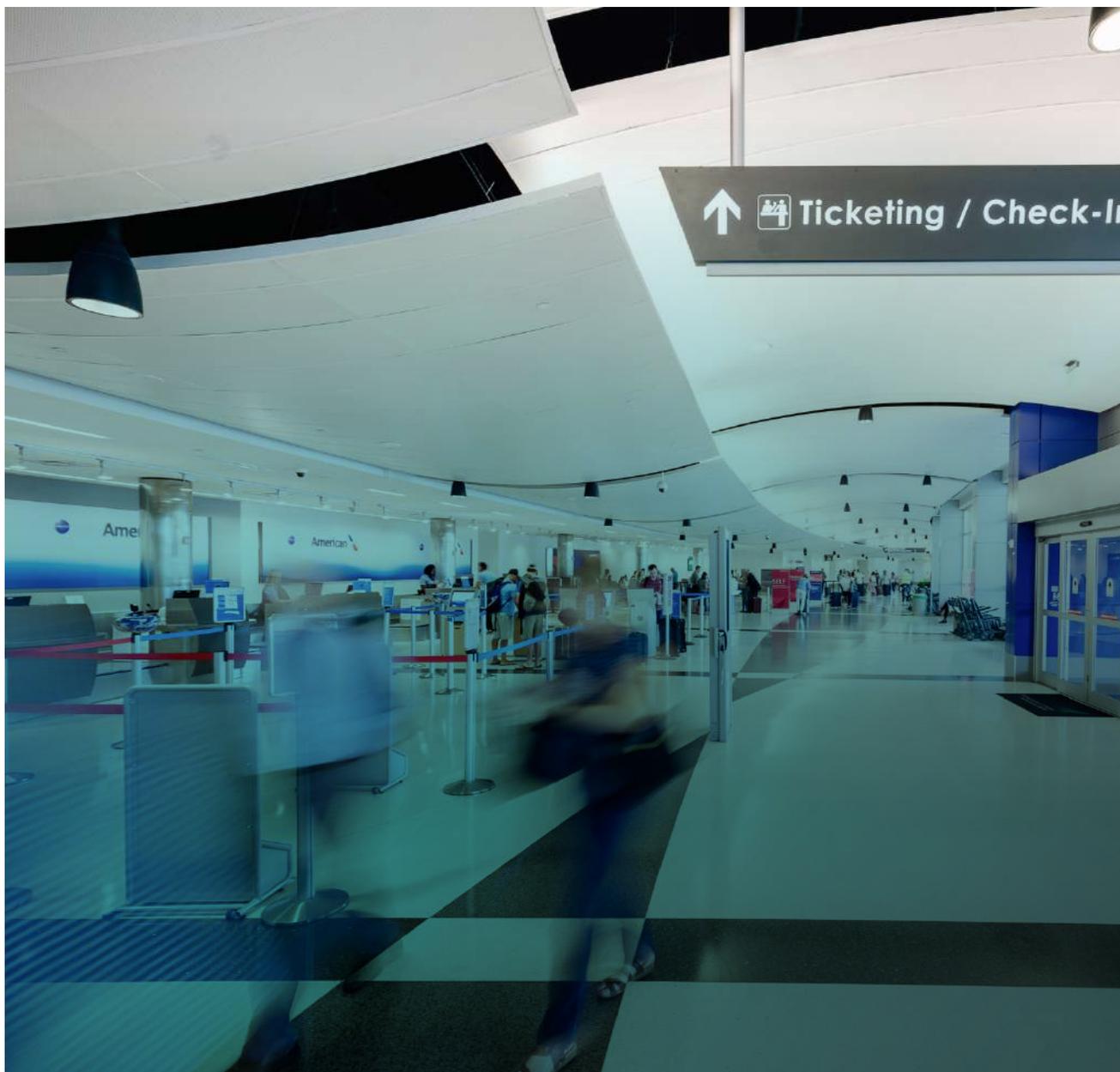
WHO WE ARE. WHAT WE DO

To operate a safe, efficient, hospitable and state-of-the-art airport that promotes a healthy economy and environment.

VISION

WHAT WE ASPIRE TO BE

To be a driving force of economic development for the region and a showcase for southern hospitality.



FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Birmingham Airport Authority ("the Authority") a component unit of the City of Birmingham, Alabama, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2019 and 2018, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



To the Board of Directors of the
Birmingham Airport Authority
Page 2

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary schedules, as identified in the table of contents, 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.

Other Information

Our audits were conducted for the purpose of forming opinions on the Authority's basic financial statements. The introductory section, statistical section, and sustainability information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Passenger Facility Charges Collected and Expended for the year ended June 30, 2019 and related notes to this schedule, are 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 Schedule of Passenger Facility Charges Collected and Expended, and related notes to this schedule is the responsibility of the Authority's management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Passenger Facility Charges Collected and Expended, and related notes to this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section, statistical section, and sustainability information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Birmingham, Alabama
December 19, 2019



MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Fiscal Years Ended June 30, 2019, 2018 and 2017

The following Management Discussion and Analysis (MD&A) of the Birmingham Airport Authority (“the Authority”) presents a narrative overview of the financial activities of the Authority, which operates the Birmingham-Shuttlesworth International Airport (“the Airport”), for the fiscal years ended June 30, 2019 and 2018, with selected comparative information for the fiscal year ended June 30, 2017.

Following this MD&A are the basic financial statements of the Authority, the notes to the financial statements, and supplementary information. The report includes the following three basic financial statements: the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows. The accompanying notes to the financial statements are essential to a full understanding of the data contained in the financial statements. The supplementary information 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.

AIRPORT ACTIVITIES AND HIGHLIGHTS

ACTIVITIES AT THE AIRPORT DURING FISCAL YEAR 2019 INCREASE



Activities at the Airport during fiscal year 2019 increased by 8.8%, 8.8%, 6.1%, 5.5% for Enplanements, Total Passengers, Air Carrier Operations, and Air Carrier Landing Weight in comparison to fiscal year 2018. During fiscal year 2018, Enplanements, Total Passengers, and Air Carrier, and Air Carrier Landing Weight Operations all increased in comparison to fiscal year 2017.

	2019	2018	2017
Enplanements	1,533,824	1,409,531	1,336,065
% increase / (decrease)	8.8%	5.5%	(1.0%)
Total Passengers	3,066,228	2,819,365	2,668,010
% increase / (decrease)	8.8%	5.7%	(1.0%)
Air Carrier Operations	41,364	38,982	37,706
% increase / (decrease)	6.1%	3.4%	(2.0%)
Air Carrier Landing Weight	1,833,622	1,738,586	1,656,428
% increase / (decrease)	5.5%	5.0%	2.0%

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Fiscal Years Ended June 30, 2019, 2018 and 2017

Most of these increases are attributed to the 2.8% growth rate seen by the national economy.

As of June 30, 2019, five major passenger carriers, 11 regional carriers, and three regularly scheduled all-cargo carriers served the Airport. When compared to prior years, this is keeping the same major passenger carrier in fiscal year 2018. There are also the same regional carriers in fiscal year 2018, and one more regional carrier than in fiscal year 2017.

FINANCIAL OPERATIONS HIGHLIGHTS

The increase in net position for fiscal year 2019 was \$6.2 million as compared to a decrease of (\$500) thousand in 2018 and increase \$3.4 million in 2017.

- Operating Revenues increased by 4.3% from \$45.7 million in fiscal year 2018 to \$47.9 million in fiscal year 2019 due to airline space rentals, concession revenues, and ground hangar rentals revenues. Airline space rental decreased by (4.7%). Concession fees increased by 6.2%. Ground hangar rentals increased by 55.7%.

Operating Revenues increased by 4.3% from \$43.8 million in fiscal year 2017 to \$45.7 million in fiscal year 2018 due to greater airline revenues, concession revenues, and ground hangar rentals revenues. Airline user charges increased by 4.1%. Concession fees increased by 3%. Ground hangar rentals increased by 7.9%.

- Operating Expenses before depreciation and amortization decreased by 1% from \$31.0 million in fiscal year 2018 to \$31.0 million in fiscal year 2019 primarily due to a decrease in the cost of personnel costs. Professional services increased by 124.7%. Materials and supplies increased by 13.6%.

Operating Expenses before depreciation and amortization increased by 7.7% from \$28.7 million in fiscal year 2017 to \$31.0 million in fiscal year 2018 primarily due to an increase in the cost of security and fire protection and materials and supplies. Security and fire protection increased by 10.8%. Materials and supplies increased by 15.8%.

- Non-Operating Revenues and Expenses net increased from \$2.0 million in fiscal year 2018 to \$3.9 million in fiscal year 2019 primarily due to an increase in passenger facility charges, customer facility charges, and interest income. Passenger facility charges increased by 7.5%. Customer facility charges increased by 5.3%. Interest income increased by 137.7%.

Non-Operating Revenues and Expenses net increased from \$681 thousand in fiscal year 2017 to \$2.0 million in fiscal year 2018 primarily due to an increase in passenger facility charges, customer facility charges, and interest income. Passenger facility charges increased by 9.6%. Customer facility charges increased by 3.4%. Interest income increased by 100.6%.

- Capital contributions received in the form of grants from the Federal government increased from \$9,726 in fiscal year 2018 to \$2.4 million in fiscal year 2019 due to increase in Federal Aviation Administration (FAA) funded capital projects.

Capital contributions received in the form of grants from the Federal government decreased from \$4.9 million in fiscal year 2017 to \$9,726 in fiscal year 2018 due to a reduction in Federal Aviation Administration (FAA) funded capital projects.

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Fiscal Years Ended June 30, 2019, 2018 and 2017

SUMMARY OF OPERATIONS AND CHANGES IN NET POSITION

	2019	2018	2017
Operating revenues	\$ 47,908,957	\$ 45,705,337	\$ 43,829,278
Operating expenses	(30,635,213)	(30,956,641)	(28,731,918)
Total operating income before depreciation, amortization and non-operating revenues and expenses	17,273,744	14,748,696	15,097,360
Depreciation and amortization	(17,361,529)	(17,258,899)	(17,342,863)
Operating loss before other non-operating revenues and expenses	(87,785)	(2,510,203)	(2,245,503)
Non-operating revenues and expenses, net	3,894,649	1,996,734	680,885
Income (Loss) before capital contributions from federal agency	3,806,864	(513,469)	(1,564,618)
Capital contributions from federal agency	2,372,906	9,726	4,937,446
Increase (decrease) in net position	6,179,770	(503,743)	3,372,828
Total net position, beginning of the year	434,990,596	435,494,339	432,121,511
Total net position, end of the year	\$ 441,170,366	\$ 434,990,596	\$ 435,494,339

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Fiscal Years Ended June 30, 2019, 2018 and 2017

FINANCIAL POSITION SUMMARY

The statements of net position present the financial position of the Authority. The statements include all assets, deferred outflows of resources, liabilities, deferred inflow of resources, and net position of the Authority. A summary comparison of the Authority's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30, 2019, 2018 and 2017 is as follows:

	2019	2018	2017
ASSETS			
Current assets	\$ 123,298,139	\$ 115,455,218	\$ 110,208,497
Capital assets	522,905,984	527,207,179	535,130,387
Total assets	646,204,123	642,662,397	645,338,884
DEFERRED OUTFLOWS OF RESOURCES	12,848,809	13,220,066	13,190,592
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 659,052,932	\$ 655,882,463	\$ 658,529,476
LIABILITIES			
Current liabilities	\$ 17,080,205	\$ 14,699,935	\$ 13,319,297
Non-current liabilities	192,288,563	196,990,727	200,527,192
Total liabilities	209,368,768	211,690,662	213,846,489
DEFERRED INFLOWS OF RESOURCES	8,513,798	9,201,205	9,188,648
NET POSITION			
Net investment in capital assets	353,013,496	351,827,237	353,534,611
Restricted	44,277,107	42,383,420	42,945,084
Unrestricted	43,879,762	40,779,939	39,014,644
Total net position	441,170,366	434,990,596	435,494,339
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 659,052,932	\$ 655,882,463	\$ 658,529,476

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Fiscal Years Ended June 30, 2019, 2018 and 2017

Net Position may serve over time as a useful indicator of the Authority's financial position. The Authority's net position exceeded liabilities by \$441 million at June 30, 2019, a \$6.2 million increase from June 30, 2018, a \$4.3 million increase since June 30, 2017. The largest portion of the Authority's net position (80% at June 30, 2019) represents its investment in capital assets (e.g., land, buildings, infrastructure improvements, and equipment), less the amount of related debt outstanding. The Authority uses these capitals, 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.

An additional portion of the Authority's net position (10% at June 30, 2019) represents bond reserve funds, passenger facility charges, federal grant contributions, and OPEB Trust that are subject to restrictions and federal regulations. The remaining unrestricted net assets (9% at June 30, 2019) may be used to meet any of the Authority's ongoing obligations. The Authority is required by certain agreements to maintain two months of operating expenses on hand, which is included in the total of unrestricted net assets.

AIRLINE RATES AND CHARGES

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. On 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.

From July 1, 2011 until August 14, 2016, the Authority entered into a new agreement with each of the six major airlines serving Birmingham. Under the terms of the agreement, the airlines will be charged full compensatory landing fee rates for the airfield and will be charged commercial compensatory rates for the terminal building reduced by a 35% non-airline terminal building revenue credit.

Effective August 15, 2016, the Authority entered into a new five-year agreement with each of the four major airlines serving Birmingham. Under the terms of the agreement, the airlines will be charged residual landing fee rates for the airfield and will be charged compensatory rates for the terminal building reduced by a 35%-50% non-airline terminal building revenue credit depending on the Capital Improvement Fund balance. The new agreement contains an end-of-term option that allows for a renewal of an additional five years.

	2019	2018	2017
Terminal Building Charges	\$ 6,343,487	\$ 6,659,067	\$ 6,355,520
Aircraft Parking Charges	734,712	769,103	690,673
Landing Fees	9,900,109	9,637,080	9,266,294
Total Signatory Airline Charges	\$ 16,978,308	\$ 17,065,250	\$ 16,312,487
Airline Cost per Enplaned Passenger	\$ 11.07	\$ 12.11	\$ 12.21

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.

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Fiscal Years Ended June 30, 2019, 2018 and 2017

CHANGES IN NET POSITION

From July 1, 2018 to June 30, 2019, net position increased by \$8.7 million or by 2%. From July 1, 2017 to June 30, 2018, net position decreased by (\$500) thousand or by (0.1)%.

	2019	2018	2017
Operating revenue:			
Space rentals	\$ 9,534,948	\$ 9,304,340	\$ 9,205,501
Concession fees - parking	14,157,461	13,149,917	12,615,023
Concession fees - other	9,443,426	8,889,828	8,643,213
Landing fees	10,605,258	11,136,231	10,303,116
Fuel flowage	394,763	374,666	340,322
Ground hangar rentals	2,503,650	1,552,899	1,458,502
Other revenues	1,269,451	1,297,456	1,263,601
Total operating revenues	47,908,957	45,705,337	43,829,278
Operating expenses:			
Personnel costs	9,853,431	12,090,442	11,633,387
Pension expense	4,402,363	3,895,785	3,501,021
Security and fire protection	5,232,094	5,473,061	4,520,505
Utilities	2,049,403	2,011,434	1,912,000
Professional services	2,259,523	1,005,640	568,201
Materials and supplies	1,306,658	1,149,967	1,154,405
Repairs and maintenance	3,581,916	3,607,573	3,627,252
Other services	1,949,824	1,722,739	1,815,147
Total operating expenses before depreciation and amortization	30,635,213	30,956,641	28,731,918
Depreciation and amortization	17,361,529	17,258,899	17,342,863
Total operating expenses	47,996,742	48,215,540	46,074,781
Operating loss before non-operating revenues (expenses)	(87,785)	(2,510,203)	(2,245,503)

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Fiscal Years Ended June 30, 2019, 2018 and 2017

CHANGES IN NET POSITION (CONTINUED)

	2019	2018	2017
Non-Operating Revenues			
(Expenses):			
Passenger facility charges	6,135,296	5,708,601	5,208,341
Customer facility charges	5,168,987	4,908,780	4,745,406
Interest income	1,141,005	480,042	239,243
Interest expense	(8,935,626)	(9,250,551)	(9,572,401)
Insurance settlement	9,332	(10,925)	27,283
Net increase in the fair value of investment	375,655	160,787	33,013
Total net non-operating revenues	3,894,649	1,996,734	680,885
Income (loss) before capital contributions from federal agency	3,806,864	(513,469)	(1,564,618)
Capital contributions from federal agency	2,372,906	9,726	4,937,446
Net Position:			
Increase (decrease) in net position	6,179,770	(503,743)	3,372,828
Total net position, beginning of the year	434,990,596	435,494,339	432,121,511
Total net position, end of the year	\$ 441,170,365	\$ 434,990,596	\$ 435,494,339

SUMMARY OF CASH FLOW ACTIVITIES

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

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Fiscal Years Ended June 30, 2019, 2018 and 2017

	2019	2018	2017
Cash Flows from Operating Activities	\$ 22,560,617	\$ 18,276,134	\$ 18,696,104
Cash Flows from Capital and Related Financing Activities	(15,674,664)	(14,262,780)	(6,363,178)
Cash Flows from Investing Activities	(3,058,692)	(9,992,537)	(5,518,238)
Net Increase (Decrease) in Cash and Cash Equivalents	3,827,261	(5,979,183)	6,814,688
Cash and Cash Equivalents:			
Beginning of the Year	75,273,171	81,252,354	74,437,666
End of the Year	\$ 79,100,432	\$ 75,273,171	\$ 81,252,354

The Authority's available cash and cash equivalents increased from \$75.3 million at the end of fiscal year 2018 to \$79.1 million at the end of fiscal year 2019 due primarily to an increase in capital contributions. Available cash and cash equivalents at the end of fiscal year 2017 were \$81.3 million.

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 proprietary fund with revenues recognized when earned and expenses are recognized when incurred. 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 fiscal year 2019, the Authority expended \$12.0 million on capital activities. Major capital activities were as follows: QTA Facility - \$8.3 million, taxiway and apron improvements - \$1.3 million, CNG station - \$1.5 million, ARFF station - \$628 thousand, and other projects - \$334 thousand. Please refer to the Notes to the Financial Statements, Note 6 "Changes in Capital Assets," for more information related to the Authority's capital acquisitions and construction activities.

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% to 4.5%, with a net interest cost of 3.99%.

- Balance outstanding June 30, 2019 - \$10,055,000; June 30, 2018 - \$12,640,000; June 30, 2017 - \$15,105,000

MANAGEMENT DISCUSSION AND ANALYSIS (UNAUDITED)

Fiscal Years Ended June 30, 2019, 2018 and 2017

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% to 5.25%, with a net interest cost of 4.82%.

- Balance outstanding June 30, 2019 - \$16,915,000; June 30, 2018 - \$20,085,000; June 30, 2017 - \$23,110,000

In 2010, the Authority issued \$151,705,000 of Series 2010 Airport Revenue Bonds dated December 22, 2010, maturing annually from 2011 through 2040, with interest coupons ranging from 3.00% to 6.00%, with a net interest cost of 5.52%.

- Balance outstanding June 30, 2019 - \$141,800,000; June 30, 2018 - \$143,315,000; June 30, 2017 - \$144,755,000

The total Authority debt outstanding at June 30, 2019, totals \$168,770,000 compared to June 30, 2018, totals \$176,040,000; June 30, 2017 - \$182,970,000.

Please refer to the Notes to the Financial Statements, Note 8 "Revenue Bonds Payable," for more information related to the Authority's long-term debt outstanding.

The underlying ratings of the Airport's obligations for fiscal year 2019:

AS OF JUNE 30, 2019

A-	A3
Fitch's Bond Rating	Moody's Bond Rating

PASSENGER FACILITY CHARGE (PFC)

The Authority initially received approval from the FAA to impose of 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 \$212,777,466. The Authority has used and will continue to use 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, construct and finance a terminal modernization program. The collection period is scheduled to end on February 1, 2031. Through June 30, 2019, the Authority has collected PFCs, including interest earnings thereon, totaling \$107,032,191. 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 President and CEO, Birmingham Airport Authority, 5900 Messer Airport Highway, Birmingham, Alabama 35212, or call 205-595-0533.

STATEMENTS OF NET POSITION

June 30, 2019 and 2018

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2019	2018
CURRENT ASSETS		
UNRESTRICTED ASSETS:		
Cash and cash equivalents	\$ 32,075,429	\$ 39,525,666
Investments	40,599,347	26,398,830
Grants receivable	609,890	-
Accounts receivable (net of allowance for uncollectible of \$29,839 and \$30,061 in 2019 and 2018, respectively)	855,669	1,596,729
Other accounts receivable	484	5,126
Prepaid expenses	597,254	509,180
Inventory	281,908	267,864
Total unrestricted assets	75,019,981	68,303,395
RESTRICTED ASSETS:		
Other Post-Employment Benefits Trust Funds:		
Cash and cash equivalents	1,374,001	-
Passenger Facility Charges Funds:		
Cash and cash equivalents	3,455,908	2,082,910
Accounts receivable	751,291	985,287
Customer Facility Charges Funds:		
Cash and cash equivalents	12,290,239	4,315,214
Investment	-	10,000,634
Accounts receivable	501,778	418,127
Revenue Bond Reserve Funds:		
Cash and cash equivalents	29,761,817	29,206,527
Construction Bond Funds:		
Cash and cash equivalents	143,038	142,854
Accrued interest receivable	86	270
Total restricted assets	48,278,158	47,151,823
Total current assets	123,298,139	115,455,218
NON-CURRENT ASSETS		
Capital assets, net of accumulated depreciation	522,905,984	527,207,179
Total non-current assets	522,905,984	527,207,179
Total assets	646,204,123	642,662,397
DEFERRED OUTFLOWS OF RESOURCES		
Deferred refunding	424,607	583,020
Deferred outflow of resources related to pension	12,419,734	12,637,046
Deferred outflow of resources related to OPEB	4,468	-
Total deferred outflows of resources	12,848,809	13,220,066
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 659,052,932	\$ 655,882,463

STATEMENTS OF NET POSITION

June 30, 2019 and 2018

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	2019	2018
CURRENT LIABILITIES		
Payable from Unrestricted Assets:		
Accounts payable and accrued expenses	\$ 2,808,010	\$ 2,252,585
Total payable from unrestricted assets	2,808,010	2,252,585
Payable from Restricted Assets:		
Construction contracts payable	2,179,378	552,072
Accrued interest payable	4,467,817	4,625,278
Current maturities of revenue bonds payable	7,625,000	7,270,000
Total payable from restricted assets	14,272,195	12,447,350
Total current liabilities	17,080,205	14,699,935
NON-CURRENT LIABILITIES		
Compensated employee absences	576,116	635,817
Revenue bonds payable, net of unamortized bond premium	160,655,841	168,284,015
Net pension liability	31,277,030	26,703,673
Net OPEB liability (asset)	(220,424)	1,367,222
Total non-current liabilities	192,288,563	196,990,727
Total liabilities	209,368,768	211,690,662
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow of resources related to pension	8,087,006	9,135,640
Deferred inflow of resources related to OPEB	426,792	65,565
Total deferred inflows of resources	8,513,798	9,201,205
NET POSITION		
Net investment in capital assets	353,013,496	351,827,237
Restricted:		
For debt service	25,294,000	24,581,248
Federal grants and programs	17,609,106	17,802,172
OPEB Trust	1,374,001	-
Total restricted	44,277,107	42,383,420
Unrestricted:		
	43,879,762	40,779,939
Total net position	441,170,366	434,990,596
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 659,052,932	\$ 655,882,463

See Accompanying Notes to the Financial Statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the years ended June 30, 2019 and 2018

	2019	2018
Operating revenue:		
Space rentals	\$ 9,534,948	\$ 9,304,340
Concession fees - parking	14,157,461	13,149,917
Concession fees - other	9,443,426	8,889,828
Landing fees	10,605,258	11,136,231
Fuel flowage	394,763	374,666
Ground hangar rentals	2,503,650	1,552,899
Other revenues	1,269,451	1,297,456
Total operating revenues	47,908,957	45,705,337
Operating expenses:		
Personnel costs	9,853,432	12,090,442
Pension expense	4,402,363	3,895,785
Security and fire protection	5,232,094	5,473,061
Utilities	2,049,403	2,011,434
Professional services	2,259,523	1,005,640
Materials and supplies	1,306,658	1,149,967
Repairs and maintenance	3,581,916	3,607,573
Other services	1,949,824	1,722,739
Total operating expenses before depreciation and amortization	30,635,213	30,956,641
Depreciation and amortization	17,361,529	17,258,899
Total operating expenses	47,996,742	48,215,540
Operating loss before non-operating revenues (expenses)	(87,785)	(2,510,203)
Non-Operating Revenues (Expenses):		
Passenger facility charges	6,135,296	5,708,601
Customer facility charges	5,168,987	4,908,780
Interest income	1,141,005	480,042
Interest expense	(8,935,626)	(9,250,551)
Insurance settlement	9,332	(10,925)
Net increase in the fair value of investments	375,655	160,787
Total net non-operating revenues	3,894,649	1,996,734
Income (loss) before capital contributions from federal agency	3,806,864	(513,469)
Capital contributions from federal agency	2,372,906	9,726
Net Position:		
Increase (decrease) in net position	6,179,770	(503,743)
Total net position, beginning of the year	434,990,596	435,494,339
Total net position, end of the year	\$ 441,170,366	\$ 434,990,596

See Accompanying Notes to the Financial Statements.

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2019 and 2018

	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Cash received from customer and tenants	\$ 48,654,660	\$ 44,976,806
Cash paid to suppliers for goods and services	(14,299,028)	(13,732,352)
Cash paid for personnel costs	(11,804,347)	(12,957,395)
Other receipts (payments)	9,332	(10,925)
Net cash provided by operating activities	<u>22,560,617</u>	<u>18,276,134</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	(12,367,634)	(8,319,816)
Receipts from federal grants, passenger facility charges, and customer facility charges	13,217,644	10,566,874
Interest paid on capital debt	(9,093,087)	(9,411,475)
Principal paid on capital debt	(7,431,587)	(7,098,363)
Net cash (used for) capital and related financing activities	<u>(15,674,664)</u>	<u>(14,262,780)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received on investments	1,141,189	480,364
Purchase investments	(14,200,516)	(10,472,901)
Sale of investments	10,000,634	-
Net cash provided by (used for) investing activities	<u>(3,058,692)</u>	<u>(9,992,537)</u>
Net increase (decrease) in cash and cash equivalents	3,827,261	(5,979,183)
Cash and cash equivalents, beginning of the year	<u>75,273,171</u>	<u>81,252,354</u>
Cash and cash equivalents, end of the year	<u>\$ 79,100,432</u>	<u>\$ 75,273,171</u>
Cash and cash equivalents - Unrestricted Assets	\$ 32,075,429	\$ 39,525,666
Cash and cash equivalents - Restricted Assets	<u>47,025,003</u>	<u>35,747,505</u>
	<u>\$ 79,100,432</u>	<u>\$ 75,273,171</u>

STATEMENTS OF CASH FLOWS

For the years ended June 30, 2019 and 2018

	2019	2018
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (87,786)	\$ (2,510,203)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	17,361,529	17,258,899
Bad debt expense	(221)	1,059
Other receipts (payments)	9,332	(10,925)
Change in Assets, Deferred Outflows/Inflows of Resources, and Liabilities:		
Receivables (net)	741,060	(760,081)
Other receivables	4,642	31,550
Prepaid expenses and inventory	(102,119)	(94,413)
Compensated employee absences	(59,700)	106,432
Accounts payable and accrued expenses	2,182,731	1,201,563
Net pension and Net OPEB liability and related deferred outflows/inflows of resources for pension & OPEB	<u>2,511,151</u>	<u>3,052,253</u>
Total adjustments	<u>22,648,403</u>	<u>20,786,337</u>
Net cash flows from operating activities	<u>\$ 22,560,617</u>	<u>\$ 18,276,134</u>
NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
Increase in fair value of investments	<u>\$ 375,655</u>	<u>\$ 160,787</u>
Amortization of bond discount	<u>\$ 171,234</u>	<u>\$ 171,234</u>
See Accompanying Notes to the Financial Statements.		



NOTES TO THE FINANCIAL STATEMENT

NOTE 1: NATURE OF ORGANIZATION AND REPORTING ENTITY

A. Nature of 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”).

The City owns the Birmingham-Shuttlesworth International Airport (the “Airport”). Pursuant to a Lease Assignment and Operating Agreement (“Agreement”) dated September 16, 1986 and amended October 1, 2009, the City transferred to the Authority custody, control and management of the Airport for a term that currently expires September 15, 2045, subject to certain conditions contained in the Agreement. The Authority pays the sum of \$10 as annual rent to the City during the term of the Agreement. As of June 30, 2019, the Authority was in compliance with the terms and conditions of the Agreement.

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

A. Measurement Focus, Basis of Accounting, and Basis of Presentation

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America applicable to state and local governmental agencies, and as such, the Authority is accounted for as a proprietary fund. The basic financial statements presented are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. The financial statements are presented in accordance with GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments, and related GASB pronouncements.

B. Use of Accounting Estimates

The preparation of financial statements 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 estimates.

C. 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.

NOTES TO THE FINANCIAL STATEMENT

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments are accounted for in accordance with GASB Statement No. 72, Fair Value Measurement and Application, which requires that certain investments be recorded at fair value (e.g., quoted market prices).

D. Restricted Assets

Funds are set aside as restricted and they are not available for current expenses when constraints placed on their use are legally enforceable due to either:

- Externally imposed requirements by creditors (such as through debt covenants), grantors or contributors;
- Laws or regulations of other governments.

E. Designated Assets

The Authority's management designates funds for capital projects, debt service and other specific commitments; these funds would otherwise be available for operations.

F. Inventory

Inventories include the following at June 30, 2019 and 2018:

	2019	2018
Baggage Handling System Parts	\$ 165,273	\$ 160,847
Jet Bridge Parts	116,635	107,017
Total	\$ 281,908	\$ 267,864

Inventory is valued at cost. The cost is determined on a first in, first out basis.

G. Capital Assets

Capital assets are recorded at cost, except for donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement, which are reported at acquisition value at the time of contribution. There were no service concession arrangements during fiscal year 2019 and 2018. Depreciation has been provided over the estimated useful lives using the straight-line method.

Estimated useful lives by asset category are as follows:

10-35
years

BUILDINGS

5-30
years

INFRASTRUCTURE
IMPROVEMENTS

5-15
years

MACHINERY AND
EQUIPMENT

5-15
years

FURNITURE
AND FIXTURES

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

NOTES TO THE FINANCIAL STATEMENT

When property and equipment are disposed of, the related cost and accumulated depreciation are removed from the accounts with any 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 expensed as incurred.

H. Deferred Outflows/Inflows of Resources

The statements of net position will sometimes report a separate section for deferred outflows of resources and/or deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and, therefore, not recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period and, therefore, not recognized as an inflow of resources (revenue) until then.

I. Airport Improvement Program

Certain expenditures for airport capital improvements are significantly funded through the Airport Improvement Program (AIP) of the Federal Aviation Administration ("the FAA"), with 5% to 10% of project expenditures provided by the Authority. Funding provided under government grants is considered earned as the related allowable expenditures are incurred.

J. Transportation Security Administration Grant

Certain expenditures for airport capital improvements are funded through a Transportation Security Administration ("TSA") grant program, with 10% provided by the Authority. Funding provided under government grants is considered earned as the related allowable expenditures are incurred.

K. Passenger Facilities Charges

The Authority is authorized to impose a Passenger Facility Charge ("PFC") on enplaning passengers. The PFC can be collected until the date on which the total PFC revenue collected, plus interest thereon, equals the allowable cost of the approved projects, which is \$212,777,466. However, the collection period ends on February 1, 2031. The PFC funds are available for authorized construction projects and debt service under an approved FAA application.

PFCs, along with related interest earnings, are recorded as non-operating revenue when earned.

L. Quick Turn Around Agreement and Customer Facility Charge (CFC)

On November 19, 2012, the Authority's Board of Directors adopted a resolution authorizing Rental Car Agencies operating at the Birmingham-Shuttlesworth International Airport (the "Airport") to impose a Customer Facility Charge ("CFC"). The purpose of the CFC is in effect to provide funding for a Quick Turn Around Facility to house all rental car companies. Effective January 1, 2013, companies that operate under a Rental Car Concession Agreement at the Airport began assessing each customer an initial CFC of \$5.00 per transaction day. The total amounts collected are reported and remitted monthly to the Authority by the rental car companies.

The Authority has authorized to pledge the CFCs collected, by resolution or trust indenture, to pay the costs and expenses of purchasing property, financing, designing, constructing, operating, relocating, and maintaining the Quick Turn Around Facilities. The CFCs are segregated from all other funds and assets of the Authority. The total amount collected net of expenses and interest earned was \$12,290,239 and \$14,315,848 as of June 30, 2019 and 2018, respectively.

NOTES TO THE FINANCIAL STATEMENT

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Revenue Classifications

Revenue is recognized when earned. The Authority will classify revenues as operating or non-operating based on the following criteria:

Operating revenues are from the revenue sources that constitute the principal ongoing activity of the operations of the Airport. The major components of operating revenue consist of landing fees and terminal building and ground rentals, concession and parking fees, and other miscellaneous fees and charges. Landing fees and terminal building rates are charged on the basis of recovery of actual costs for operating and maintaining the Airport airfield and terminal areas.

Non-operating revenues are from revenue sources related to financing activities and other activities which do not constitute the principal ongoing activities of the Authority's operations. These include PFCs, interest income, and grant revenue related to specific programs.

N. Expense Classifications

The Authority will classify expenses as operating or non-operating based on the following criteria:

Operating expenses relate to the principal ongoing activities of the operations of the Airport. The major components of operating expenses consist of personnel costs, contractual services, utilities, maintenance, materials and supplies, professional services, depreciation and amortization, and equipment rentals and repairs.

Non-operating expenses relate to financing activities and other activities which do not constitute the principal ongoing activities of the Authority's operations. These include primarily interest expense.

O. Federal Grants

When a grant agreement is approved and all eligibility requirements have been met, the expenditures are recorded as a federal grant receivable and as a capital grant contribution.

P. Cash and Cash Equivalents

The Authority considers cash-on-hand, bank deposits and highly liquid investments with an original maturity of three months or less to be cash and cash equivalents.

Q. Receivables

Accounts 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 creditworthiness 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.

R. Interest Capitalization

Interest cost related to construction financing is capitalized, net of interest earned, on the borrowed proceeds, from the time of borrowing until construction is substantially complete and the assets are placed in service. Cumulative interest capitalized was \$0 for the years ended June 30, 2019 and 2018.

S. Bond Issue Costs, Original Issue Discount and Deferred Loss on Bond Refunding

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

NOTES TO THE FINANCIAL STATEMENT

T. 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.

An accrual is recorded for accumulated unpaid vacation pay. As of June 30, 2019, and 2018, accrued vacation pays totaled \$576,116 and \$635,817, respectively.

U. 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 years ended June 30, 2019 and 2018, the Authority has no arbitrage rebate liability.

V. Retention Payable

The Authority enters into construction contracts that may include retention provisions such that a certain percentage of the contract amount is held for payment until completion of the contract and acceptance by the Authority. The Authority's policy is to record retention payable as contract work is completed and accepted. Retention payable is included in construction contracts payable on the accompanying statements of net position.

W. Components of Net Position

The Authority's net position classifications are as follows:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted net position - This component of net position represents restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law or through constitutional provisions or enabling legislation.

Unrestricted net position - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

NOTES TO THE FINANCIAL STATEMENT

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 cash equivalents 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 unrestricted deposits, certificates of deposits and cash-on-hand was \$32,075,429 and \$39,525,666 and the related bank balance was \$31,610,226 and \$39,525,666 at June 30, 2019 and 2018, respectively. The Authority also had restricted cash deposited with a trustee, with a carrying amount of \$47,025,003 and \$35,747,505 and related bank balances were \$47,025,003 and \$35,747,505 at June 30, 2019 and 2018, respectively.

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. Banks doing business within the State of Alabama and holding deposits of public funds belonging to the state, counties, cities, or agencies of state and local governments must pledge securities to the SAFE program pool, which are held 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. Unrestricted investments in U.S. Government T-Notes and U.S. Treasury Bills had a fair value of \$40,599,347 and \$26,398,830 as of June 30, 2019 and 2018, respectively. The investments held in the Customer Facility Charges Funds are U.S. Government obligations, which had a fair value of \$0 and \$10,000,634 as of June 30, 2019 and 2018, respectively. 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), the U.S. Government, and the SAFE Program.

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.

NOTES TO THE FINANCIAL STATEMENT

Type of Investment	INVESTMENT MATURITIES AT FAIR VALUE (IN YEARS)				TOTALS 6/30/19	TOTALS 6/30/18
	Less Than 1	1-5	6-10	More Than 10	Totals	Totals
U.S. Treasury Bills	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government T-Notes	40,599,347	-	-	-	40,599,347	26,398,830
U.S. Treasury/SLGS Agency Securities	-	-	-	-	-	10,000,634
Total Investment	\$ 40,599,347	\$ -	\$ -	\$ -	\$ 40,599,347	\$ 36,399,464

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, unrestricted investments, the Revenue Bond Reserve Funds, and Construction Bond 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 AND FINANCIAL INSTRUMENTS REPORTED AT FAIR VALUE

The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure fair value of the asset. Level 1 inputs consist of quoted market prices in active markets for identical assets; Level 2 inputs consist of significant other observable inputs; Level 3 inputs consist of significant unobservable inputs. Certain items required to be reported at their net asset value (NAV) are not subject to level disclosure.

Disclosures concerning financial instruments that are reported at fair value are presented below. Fair value has been determined based on the Authority's assessment of available market information and appropriate valuation methodologies. The following table summarized fair value disclosures and measurements at June 30, 2019 and 2018:

NOTES TO THE FINANCIAL STATEMENT

NOTE 4: FAIR VALUE MEASUREMENTS AND FINANCIAL INSTRUMENTS REPORTED AT FAIR VALUE (CONTINUED)

FAIR VALUE MEASUREMENTS AT REPORTING DATE USING					
Type of Investment	Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Totals 6/30/19	Totals 6/30/18
U.S. Treasury Bills	\$ -	\$ -	\$ -	\$ -	\$ -
U.S. Government T-Notes	40,599,347	-	-	40,599,347	26,398,830
U.S. Treasury/SLGS Agency Securities	-	-	-	-	10,000,634
Total Investments at Fair Value	\$ 40,599,347	-	\$ -	\$ 40,599,347	\$ 36,399,464

The Authority has the following recurring fair value measurements as of June 30, 2019:

- U.S. Government T-Notes are valued using quoted market prices (Level 1 inputs).

Security Valuation Disclosure:

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 & 3 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Pricing source: ICE Interactive Data.

The fair value presented herein is based on pertinent information available to management as of June 30, 2019 and 2018. Although management is not aware of any factors that would significantly affect fair value amounts, future events or other valuation techniques for determining fair value may differ significantly from the amounts presented herein.

NOTE 5: OPERATING LEASES

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

2020	\$ 12,387,251
2021	11,572,071
2022	2,592,022
2023	2,086,603
2024	1,552,652
2025 - 2027	4,562,859
Total	\$ 34,753,458

NOTES TO THE FINANCIAL STATEMENT

NOTE 6: CHANGES IN CAPITAL ASSETS

A summary of the changes in capital assets for the year ended June 30, 2019 and 2018, is as follows:

	BALANCE AT 07/01/18	ADDITIONS	DEDUCTIONS	BALANCE AT 06/30/19
Capital assets not being depreciated:				
Land	\$ 183,488,924	\$ 202,668	\$ -	\$ 183,691,592
Construction in progress	19,001,359	11,951,022	-	30,952,381
Total capital assets not being depreciated	202,490,283	12,153,690	-	214,643,973
Capital assets being depreciated:				
Buildings	278,928,263	-	-	278,928,263
Infrastructure improvements	218,127,400	57,322	-	218,184,723
Machinery and equipment	62,949,647	634,686	-	63,584,334
Furniture and fixtures	4,381,142	59,396	-	4,440,538
Total capital assets being depreciated	564,386,452	751,404	-	565,137,858
Less accumulated depreciation on:				
Buildings	87,331,856	6,793,166	-	94,125,022
Infrastructure improvements	125,213,737	6,586,488	-	131,800,225
Machinery and equipment	25,460,168	3,576,705	-	29,036,873
Furniture and fixtures	1,663,794	249,933	-	1,913,727
Total accumulated depreciation	239,669,555	17,206,292	-	256,875,847
Total capital assets depreciated, net	324,716,897	(16,454,886)	-	308,262,011
Total capital assets, net	\$ 527,207,180	\$ (4,301,196)	\$ -	\$ 522,905,984

NOTES TO THE FINANCIAL STATEMENT

NOTE 6: CHANGES IN CAPITAL ASSETS (CONTINUED)

	BALANCE AT 07/01/17	ADDITIONS	DEDUCTIONS	BALANCE AT 06/30/18
Capital assets not being depreciated:				
Land	\$ 183,488,924	\$ -	\$ -	\$ 183,488,924
Construction in progress	9,960,201	9,041,157	-	19,001,359
Total capital assets not being depreciated	193,449,125	9,041,157	-	202,490,283
Capital assets being depreciated:				
Buildings	278,928,263	-	-	278,928,263
Infrastructure improvements	218,127,400	-	-	218,127,400
Machinery and equipment	62,824,678	124,969	-	62,949,647
Furniture and fixtures	4,374,617	6,525	-	4,381,142
Total capital assets being depreciated	564,254,958	131,494	-	564,386,452
Less accumulated depreciation on:				
Buildings	80,538,691	6,793,165	-	87,331,856
Infrastructure improvements	118,610,154	6,603,583	-	125,213,737
Machinery and equipment	22,002,295	3,457,873	-	25,460,168
Furniture and fixtures	1,422,556	241,238	-	1,663,794
Total accumulated depreciation	222,573,696	17,095,859	-	239,669,555
Total capital assets depreciated, net	341,681,262	(16,964,365)	-	324,716,897
Total capital assets, net	\$ 535,130,387	\$ (7,923,208)	-	\$ 527,207,180

NOTE 7: LINE OF CREDIT

The Authority has an unsecured line of credit with a financial institution. The maximum available line of credit is \$4,390,175. At June 30, 2019, there was no outstanding balance on the line of credit. The expiration date of the agreement is July 16, 2019.

NOTE 8: 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

NOTES TO THE FINANCIAL STATEMENT

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 have been paid in full as of June 30, 2015.

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, was deferred and was being amortized over the life of the new debt in accordance with GASB 23. The Authority was expected to reduce its aggregate debt service payments and 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. In accordance with GASB 65, the remaining balance of issuance cost was written off as of June 30, 2013.

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 semiannual interest payments on January 1 and July 1, beginning January 1, 2008, at rates ranging between 5 and 5.25%. 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.

NOTES TO THE FINANCIAL STATEMENT

NOTE 8: REVENUE BONDS PAYABLE (CONTINUED)

On December 22, 2010, the Authority issued the Birmingham Airport Authority Airport Revenue Bonds, Series 2010 in the amount of \$151,705,000. The Series 2010 Bonds were issued to provide funds for certain airport improvements, primarily the renovation of the main terminal building at the Airport.

The Series 2010 Bonds mature no later than July 1, 2040, and require semi-annual interest payments on January 1 and July 1, beginning January 1, 2011, at rates ranging between 3 and 6%. Principal payments on the Series 2010 Bonds are due annually beginning July 1, 2011.

The Series 2010 net bond proceeds of \$146,267,329 (after payment of \$3,677,933 issuance cost) were deposited into the Series 2010 Capitalized Interest Account (\$10,704,988), the Reserve Fund (\$10,448,058) and the 2010 Construction Fund (\$125,114,283).

Changes in revenue bonds payable for the years ended June 30, 2019 and 2018 are summarized as follows:

	BALANCE JUNE 30, 2018	ADDITIONS	RETIREMENTS	BALANCE JUNE 30, 2019	AMOUNTS DUE WITHIN ONE YEAR
Revenue bonds payable	\$ 176,040,000	\$ -	\$ (7,270,000)	\$ 168,770,000	\$ 7,625,000
Less Unamortized discount	485,985	3,174	-	489,159	-
Revenue bonds payable, net	<u>\$ 175,554,015</u>	<u>\$ 3,174</u>	<u>\$ (7,270,000)</u>	<u>\$ 168,280,841</u>	<u>\$ 7,625,000</u>

	BALANCE JULY 1, 2017	ADDITIONS	RETIREMENTS	BALANCE JUNE 30, 2018	AMOUNTS DUE WITHIN ONE YEAR
Revenue bonds payable	\$ 182,970,000	\$ -	\$ (6,930,000)	\$ 176,040,000	\$ 7,270,000
Less Unamortized discount	483,323	2,662	-	485,985	-
Revenue bonds payable, net	<u>\$ 182,486,677</u>	<u>\$ 2,662</u>	<u>\$ (6,930,000)</u>	<u>\$ 175,554,015</u>	<u>\$ 7,270,000</u>

The following shows debt service to maturity for the Series 2003-A and B Bonds, the Series 2007 Bonds, and the Series 2010 Bonds:

NOTES TO THE FINANCIAL STATEMENT

FYE JUNE 30,	PRINCIPAL	INTEREST	TOTAL
2020	\$ 7,625,000	\$ 8,935,625	\$ 16,560,625
2021	8,015,000	8,581,675	16,596,675
2022	8,390,000	8,195,300	16,585,300
2023	8,850,000	7,731,063	16,581,063
2024	9,350,000	7,237,675	16,587,675
2025-2029	54,635,000	28,278,350	82,913,350
2030-2034	43,475,000	13,290,688	56,765,688
2034-2039	19,195,000	5,819,550	25,014,550
2040-2041	9,235,000	768,625	10,003,625
Total	<u>\$ 168,770,000</u>	<u>\$ 88,838,551</u>	<u>\$ 257,608,551</u>

NOTE 9: CAPITAL CONTRIBUTIONS

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 Passenger Facility Charges as follows:

	CAPITAL CONTRIBUTIONS		
	Inception To-Date	2019	2018
City of Birmingham	\$ 12,359,477	\$ -	\$ -
Federal	372,412,733	2,372,906	9,726
Passenger Facility Charges	107,047,087	6,139,766	5,710,690
Total	<u>\$ 491,819,297</u>	<u>\$ 8,512,672</u>	<u>\$ 5,720,416</u>

NOTE 10: 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 7.0% of payroll, exclusive of overtime. The City of Birmingham (“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 acts as trustee for the Plan.

NOTES TO THE FINANCIAL STATEMENT

NOTE 10: PENSION PLAN (CONTINUED)

At June 30, 2019, pension plan membership consisted of the following:

Retirees or Beneficiaries Currently Receiving Benefits	3,202
Inactive Members Due a Refund of Contributions	362
Inactive Plan Members Entitled but Not Receiving Benefits	117
Active Plan Members	3,893
Total	7,574

The census data as of June 30, 2019, was not available at the time of this disclosure. It is assumed that the population remains constant. The plan has a stand-alone financial report. The report is available on the city's website at www.birminghamal.gov, Open Data, Finance.

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 are presented in the City's June 30, 2019, comprehensive annual financial report.

Summary of Significant Accounting Policies

The activities and the financial statements of the Plan are 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. 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 \$8,291,879 and \$8,052,026 and the total payroll was \$8,328,372 and \$8,057,948 for the years ended June 30, 2019 and 2018, respectively.

The following are disclosure requirements of that all-inclusive actuarial assumption valuation, as of the last actuarial study of June 30, 2018, for the Plan.

BENEFITS PROVIDED

Retirement and Relief System (Tier I Participants)

A participant hired prior to July 1, 2018, may retire at (a) age 60 if they have completed 5 years of credited service, or (b) any age if he/she has completed 30 years of credited service, and receive a pension benefit of 2.50% of final average salary for each year of credited service. This amount cannot be greater than 75.0% of the final average salary nor less than \$400 per month. The service credit used to determine the benefit amount may be increased by credit granted for unused sick leave (on a percentage of possible total basis). The final average salary is defined as the highest average compensation over any 36-month period of the employee's last 10 years of participation. A participant may retire early at age 55 if they

NOTES TO THE FINANCIAL STATEMENT

have completed 25 years of credited service and will receive a benefit amount equal to 1.85% of final average salary for each year of credited service.

Disability

A Tier I participant is eligible for disability benefits after 5 years of credited service. The benefit amount is 2.00% of final average salary at disability for each year of credited services, payable immediately. This amount cannot be greater than 60% of the final average salary nor less than \$400.

Extraordinary Disability

If a Tier I or Tier II participant becomes disabled as the result of a job-related injury, they may be eligible for an extraordinary disability benefit regardless of years of service. The benefit begins on the date the participant ceases to receive a salary as an employee, provided the Pension Board has approved the application. The benefit amount is 70% of the participant's monthly salary at the time of the accident.

Termination

To a Tier I participant terminating prior to eligibility for a pension from the plan, a lump sum of contributions without interest is payable. Tier I participants terminating after 5 years of credited service who leave their contributions in the Plan have a non-forfeitable right to a monthly pension beginning at age 60. The form and amount of the pension are the same as the Normal pension.

Optional Benefit Forms

A participant retiring under the plan may choose, in lieu of an annuity for life, an optional form of benefit, including a joint and survivor annuity reduced as described above, a partial lump sum option or a Social Security option. Optional forms will be calculated as the actuarial equivalent of the life annuity form.

Death Benefits

If a Tier I participant dies prior to his attainment of eligibility for vesting or retirement, if not married, a lump sum of contributions without interest is payable to the beneficiary. If an active vested Tier I participant or vested inactive Tier I participant dies, 60% of the accrued pension benefit, multiplied by the service percentage, is payable to the surviving spouse, if any, during their remaining lifetime. The service percentage is as follows: 5 years - 50%; 6 years - 60%; 7 years - 70%, 8 years - 80%; 9 years - 90%; 10 or more years - 100%. The spousal benefit is deferred to the date the Tier I participant would have been age 60 or would have accrued 20 years of credited service. The spouse may elect an immediate return of the participant's own contributions in lieu of the annuity.

Deferred Retirement Option Plan (DROP)

A Tier I participant with 33 years of service or who is at least age 63 with 23 years of service may elect up to a 36-month Back-DROP. The participant's monthly benefit will be calculated using credited service and final average salary as of the Back-DROP date, and the participant will receive a lump sum equal to the number of months dropped back times the retirement benefit, accumulated with interest.

Retirement and Relief System (Tier II Participants)

A participant hired on or after July 1, 2017, may retire at (a) age 62 if they have completed 10 years of credited service, or (b) any age if he/she has completed 30 years of credited service, and receive a pension benefit of 2.25% of final average salary for each year of credited service. This amount cannot be greater than 67.5% of the final average salary nor less than \$400 per month. The service credit used to determine the benefit amount may be increased by credit granted for unused sick leave (on a percentage of possible total basis). The final average salary is defined as the highest average compensation over any 36-month period of the employee's last 10 years of participation. A Tier II participant may retire early at

NOTES TO THE FINANCIAL STATEMENT

NOTE 10: PENSION PLAN (CONTINUED)

age 55 if they have completed 25 years of credited service and will receive a benefit amount equal to 1.85% of final average salary for each year of credited service.

Disability

A Tier II participant is eligible for disability benefits after 10 years of credited service. The benefit amount is 2.00% of final average salary at disability for each year of credited services, payable immediately. This amount cannot be greater than 60% of the final average salary nor less than \$400.

Termination

To a Tier II participant terminating prior to eligibility for a pension from the plan, a lump sum of contributions without interest is payable. Tier II participants terminating after 10 years of credited service who leave their contributions in the Plan have a non-forfeitable right to a monthly pension beginning at age 62. The form and amount of the pension are the same as the Normal pension.

Death Benefits

If a Tier II participant dies prior to his attainment of eligibility for vesting or retirement, if not married, a lump sum of contributions without interest is payable to the beneficiary. If an active vested Tier II participant or vested inactive Tier II participant dies, 60% of the accrued pension benefit, multiplied by the applicable service percentage, is payable to the surviving spouse, if any, during their remaining lifetime. The service percentage is as follows: 10 years - 50%; 11 years - 60%; 12 years - 70%, 13 years - 80%; 14 years - 90%; 15 or more years - 100%. The spousal benefit is deferred to the date the Tier II participant would have been age 62 or would have accrued 20 years of credited service. The spouse may elect an immediate return of the participant's own contributions in lieu of the annuity.

Optional Benefit Forms

A participant retiring under the plan may choose, in lieu of an annuity for life, an optional form of benefit, including a joint and survivor annuity reduced as described above, a partial lump sum option or a Social Security option. Optional forms will be calculated as the actuarial equivalent of the life annuity form.

Deferred Retirement Option Plan (DROP)

A Tier II participant with 33 years of service or who is at least age 63 with 23 years of service may elect up to a 36-month Back-DROP. The participant's monthly benefit will be calculated using credited service and final average salary as of the Back-DROP date and the employee will receive a lump sum equal to the number of months dropped back times the retirement benefit, accumulated with interest.

Contributions

Prior to July 1, 2017, the City, the Authority, EMA and E911 participants each contributed one-half of the required contribution payable as a percentage of compensation for the year, exclusive of overtime and subject to statutory limits. The participants and City contributions were equal to 7.0% and 7.0%, respectively, effective July 1, 2015, and continuing through June 30, 2017. Effective July 1, 2017, however, the City contributions increase to 7.25%. Effective July 1, 2018, the City contributions increase to 8.50%, and effective July 1, 2020, the City contributions increase to 9.00%. The participants will continue to contribute at the rate of 7.0%. Health Department participants contribute 6.00%. The plan is funded by contributions from participants, the City, the Authority, EMA, E911, Health Department and income from the investment of accumulated funds.

NOTES TO THE FINANCIAL STATEMENT

Investments

Investment Policy

The following was the City's adopted asset allocation policy as of June 30, 2019:

ASSET CLASS	TARGET ALLOCATION
Large cap domestic equity	30%
Small and mid-cap domestic equity	10%
International equity	27%
Core fixed income	11%
Short-term high yield fixed income	4%
Private equity	15%
Cash	2%
Other fixed income	1%
Total	100%

Concentrations

The Plan did not hold investments in any one organization that represented 5% or more of the Pension Plan's fiduciary net position.

Rate of Return

For the year ended June 30, 2018, the annual investment rate of return on Plan investments, net of pension plan investment expenses, was an assumed 7.50%. The annual investment rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested.

NOTES TO THE FINANCIAL STATEMENT

NOTE 10: PENSION PLAN (CONTINUED)

Net Pension Liability

The total pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurements, with the results rolled forward to June 30, 2019:



Pre-retirement mortality rates are based on the sex-distinct RP-2014 Blue Collar Employee Mortality Table, set forward two years for males and four years for females. Healthy annuitant mortality rates are based on the sex-distinct RP-2014 Blue Collar Healthy Annuitant Mortality Table, set forward two years for males and four years for females. Disabled mortality rates are based on the sex-distinct RP-2014 Disabled Retiree Mortality Table. All mortality tables are projected generationally with Scale MP-2015.

The demographic assumptions were based on the results of an experience study for the period July 1, 2010 to June 30, 2015.

NOTES TO THE FINANCIAL STATEMENT

Target Asset Allocation

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN*
Large cap domestic equity	30%	7.70%
Small and mid-cap domestic equity	10%	8.80%
International equity	27%	7.30%
Core fixed income	11%	3.30%
Short-term high yield fixed income	4%	5.40%
Private equity	15%	10.20%
Cash	2%	0.00%
Other fixed income	1%	5.50%
Total	100%	

Investments - Fair Value Measurements

The Plan categorizes its fair value measurements, within the fair value hierarchy established by accounting principles generally accepted in the United States of America. Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted process. Alternative investments classified in Level 3 are valued using discounted cash flow techniques, comparable transactions, and publicly quoted companies' methods. The Plan has the following recurring fair value measurements as of June 30, 2019 and 2018.

NOTES TO THE FINANCIAL STATEMENT

NOTE 10: PENSION PLAN (CONTINUED)

2019					
Investments Measured at Fair Value Retirement & Relief System			Fair Value Measurements Using		
INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVG. MATURITY (YEARS)	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
U.S. Government Agency Obligation	\$ 19,666,800	2.55	\$ -	\$ 19,666,800	\$ -
U.S. Treasuries	62,735,259	8.29	62,735,259	-	-
U.S. Corporate Debt	129,675,923	8.45	-	129,675,923	-
U.S. Corporate Stock	745,428,054		745,428,054	-	-
Alternative Investments	16,197,575		-	-	16,197,575
Total Fair Value	\$ 973,703,611		\$ 808,163,313	\$ 149,342,723	\$ 16,197,575

2018					
Investments Measured at Fair Value Retirement & Relief System			Fair Value Measurements Using		
INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVG. MATURITY (YEARS)	QUOTED PRICES IN ACTIVE MARKETS FOR IDENTICAL ASSETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
U.S. Government Agency Obligation	\$ 32,475,037	3.18	\$ -	\$ 32,475,037	\$ -
U.S. Treasuries	62,762,055	7.80	62,762,055	-	-
U.S. Corporate Debt	116,959,685	6.71	-	116,959,685	-
U.S. Corporate Stock	756,076,794		756,076,794	-	-
Alternative Investments	63,581,081		-	-	63,581,081
Total Fair Value	\$ 1,031,854,652		\$ 818,838,849	\$ 149,434,722	\$ 63,581,081

NOTES TO THE FINANCIAL STATEMENT

Mesirow Financial-Multi-manager/Multi-strategy Fund of hedge funds

Fund	Fair Value	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
Retirement & Relief	\$ 16,197,575	Quarterly	95 days

Discount Rate

The discount rates used to measure the Total Pension Liability (TPL) were 4.97% as of June 30, 2019 and 5.57% as of June 30, 2018. The projection of cash flows used to determine the 2018 discount rate assume employee contributions will continue to be made at 7.00% of compensation and City contributions will be 8.50% of compensation beginning July 1, 2018, increasing to 9.00% effective July 1, 2020. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are excluded, as are projected employee contributions from future plan members. Based on these assumptions, the System's fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on the System's investments was applied to the first 25 periods of projected benefit payments and a 3.50% municipal bond rate was applied to all periods thereafter to determine the total pension liability. The 3.50% municipal bond rate is based on an index of 20-year, tax-exempt general obligation bonds. (The chosen rate is the Bond Buyer 20-Bond GO Index rate published closest to, but not later than, the measurement date of June 30, 2019.)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the System, calculated using the discount rate, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.97%) or one percentage point higher (5.97%) than the current rate:

	1% Decrease (3.97%)	Current Discount Rate (4.97%)	1% Increase (5.97%)
Net pension liability	\$ 1,196,516,092	\$ 930,863,993	\$ 711,560,960

NOTES TO THE FINANCIAL STATEMENT

NOTE 10: PENSION PLAN (CONTINUED)

The following methods and assumptions are used to determine contribution rates:

ACTUARIAL COST METHOD	ENTRY AGE NORMAL
Amortization Method Remaining	Level % of Payroll, using 2.50% annual increases
Amortization Period	Rolling 30 years
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a five-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 20% of the market value of assets.
Investment rate of return	7.50%, including inflation, net of pension plan investment expense
Inflation rate	2.50%
Projected salary increases	2.50%, plus age-related salary scale based on participant group

Actuarial assumptions:

ACTUARIAL COST METHOD	ENTRY AGE NORMAL
Retirement rates	Group-specific rates based on years of service, ranging from 20 to 35 years, with 100% retirement at age 65. General Employees - Rates based on age ranging from 35% at age 50 to 100% at age 74
Mortality:	
Pre-retirement	Sex-distinct RP-2014 Blue Collar Employee Mortality Table, set forward two years for males and four years for females, projected generationally using Scale MP-2015
Healthy annuitant	Sex-distinct RP-2014 Blue Collar Healthy Annuitant Mortality Table, set forward two years for males and four years for females, projected generationally using Scale MP-2015
Disabled	Sex-distinct RP-2014 Disabled Retiree Mortality Table projected generationally with Scale MP-2015

NOTES TO THE FINANCIAL STATEMENT

Net Pension Liability

The Authority has allocated a proportional share of 3.36% of the net pension liability of the City of Birmingham Retirement and Relief System, with the allocation based on July 1, 2018 valuation pay. This basis is intended to measure the proportion of each employer's long-term funding requirements. The Authority's allocated share of the net pension liability is \$31,277,030.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the Net Pension Liability (NPL) of the System as of June 30, 2018, which is allocated to all employers, calculated using the discount rate of 4.97%, as well as what the NPL would be if it were calculated using a discount rate that is one percentage-point lower (3.97%) or one percentage-point higher 5.97% than the current rate.

	1% Decrease 3.97%	Current Discount Rate 4.97%	1% Increase 5.97%
Airport Authority's proportional share of net pension liability	\$ 40,202,941	\$ 31,277,030	\$ 23,908,448

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

For the year ended June 30, 2019 and 2018, the Authority's recognized pension expense is \$4,402,363 and \$3,895,785, respectively. At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2019	
	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual experience	\$ 952,369	\$ 523,921
Changes of assumptions	8,458,709	5,790,741
Change in proportionate share	2,302,025	1,772,344
Net difference between projected and actual earnings on pension plan investments	705,631	-
Total	<u>\$ 12,418,734</u>	<u>\$ 8,087,006</u>
	2018	
	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual experience	\$ 1,098,887	\$ 763,011
Changes of assumptions	8,123,052	8,372,629
Change in proportionate share	3,025,575	-
Net difference between projected and actual earnings on pension plan investments	389,532	-
Total	<u>\$ 12,637,046</u>	<u>\$ 9,135,640</u>

NOTES TO THE FINANCIAL STATEMENT

NOTE 10: PENSION PLAN (CONTINUED)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

YEAR ENDED	RECOGNITION OF DEFERRED OUTFLOWS/(INFLOWS)
June 30, 2019	2,121,052
June 30, 2020	1,922,837
June 30, 2021	783,627
June 30, 2022	(1,683,061)
June 30, 2023	356,951
Thereafter	-

Schedules of Changes in Proportional Share of Net Pension Liability - Last Two Fiscal Years*

	2019	2018
Proportional share percentage	3.36%	3.67%
Net pension liability	\$ 31,277,030	\$ 26,703,673
Estimated covered payroll	6,991,168	7,494,780
Net pension liability as percentage of covered payroll	447.38%	347.89%

NOTES TO THE FINANCIAL STATEMENT

DETAILED DEVELOPMENT OF PENSION EXPENSE FOR THE YEAR ENDED JUNE 30, 2019 AND 2018	2019	2018
Service cost	\$ 41,015,747	\$ 42,226,648
Interest on Total Pension Liability	99,437,120	95,679,837
Employee contributions	(13,859,226)	(14,152,427)
Administrative expenses	280,245	260,079
Expected return on assets	(76,849,108)	(75,656,168)
Expensed portion of current year period differences between expected and actual experience in Total Pension Liability	1,710,271	3,257,028
Expensed portion of current year period assumption changes	27,292,108	(4,962,831)
Current year plan changes	-	-
Expensed portion of current year period differences between projected and actual investment earnings	5,571,895	70,531
Current year recognition of deferred outflows established in prior years	106,813,286	103,556,258
Recognition of beginning of year deferred inflows of resources as pension expense	(68,706,976)	(63,673,613)
Total expense	\$ 122,705,362	\$ 86,605,342

NOTES TO THE FINANCIAL STATEMENT

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS

GENERAL INFORMATION ABOUT THE OPEB PLAN:

Plan Description

The Authority's defined benefit other post-employment benefits (OPEB) Plan, the Birmingham Airport Retiree Medical and Life Insurance Plan (BARMLIP), provides OPEB for all permanent full-time employees of the Authority. BARMLIP is a single-employer defined benefit OPEB plan administered by the Authority. Article III of the Lease and Use agreement with the City of Birmingham grants the Authority the right to establish benefit terms and financing requirements. The plan doesn't have a stand-alone financial report.

On October 22, 2018, the Authority's Board of Directors authorized the creation and funding of an investment OPEB Trust to meet the requirements of GASB 85. The purpose of the OPEB Trust was for the Authority to meet its liability for the payment of health and related benefits for its retired employees under long-established employee benefit plans. Management has a plan whereby cash contributions are intended to be made to help offset the anticipated increased outflows in future years to cover retiree benefits.

The Plan is administered by the management of the Authority and it's governed by the Chief Financial Officer and in his absence by the CEO/President. The Authority's Board of Directors authorized an OPEB Trust Investment Policy on November 11, 2018.

As of June 30, 2019, the OPEB Trust has a balance of \$1,374,001 and is overfunded. There were no additional contributions made to the OPEB Trust during fiscal year 2019.

Benefits Provided

The Authority provides healthcare and life insurance benefits for retirees. 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:

- Retirees with 30 years of service at any age
- Retirees with 5 or more years of service and age 60 or older
- Retirees receiving disability pension benefits
- Retirees with 25 or more years of service and age 55 or older

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 of 65, become Medicare eligible, are covered under another policy or deceased. The benefits paid under this plan are reimbursements for the cost of coverage, and proof of coverage is required.

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 also provides all retirees with life insurance benefits in which the Authority pays 100% of the premiums reducing by 50% at age 70.

NOTES TO THE FINANCIAL STATEMENT

Employees covered by benefit terms

At June 30, 2019, the following employees were covered by the benefit terms:

Active participants in valuation:	
Number	153
Average age	46.31
Average years of service*	6.48
Total payroll*	\$ 6,937,207
Retired participants:	
Number with Life Insurance	30
Average age	71.33
Number Eligible for Health Insurance Reimbursement	2

*Estimated service of 8 years and salary of \$57,800 applied to 46 participants.

NET OPEB LIABILITY:

NET OPEB LIABILITY		
Reporting Date for Employer under GASB 75	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2018
Components of the Net OPEB Liability		
Total OPEB Liability	\$ 1,153,577	\$ 1,367,222
Plan Fiduciary Net Position	\$ 1,374,001	-
Net OPEB Liability	(220,424)	1,367,222
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	119.11%	0.00%

The Net OPEB Liability was measured as of June 30, 2019 and 2018. Plan Fiduciary Net Position (Plan assets) was valued as of the measurement dates and the Total OPEB Liability was determined from actuarial valuations using data as of July 1, 2018.

Actuarial assumptions and actuarial cost method

The total OPEB liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

NOTES TO THE FINANCIAL STATEMENT

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Rationale for Assumptions:	The information and analysis used in selecting each assumption that has a significant effect on this actuarial valuation are shown in the Birmingham Retirement and Relief System Experience Study Report for the five-year period ended June 30, 2015. Based on the results of that study as well as professional judgment, no additional demographic changes are warranted at this time and will be assessed again in the next five-year review. The Birmingham Airport Authority participates in this pension plan, and the demographic assumptions for "General Employees" of that plan apply to the Birmingham Airport Authority.
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Inflation:	3.50%
Discount Rates:	3.50% for June 30, 2019 and 3.87% for June 30, 2018. The rate is based on the Bond Buyer 20-year general obligation municipal bond index rate as of the date closest to, but not after, the Measurement Date.
Salary Increases:	Age-based, from 7.00% at age 20 to 2.50% at age 60
Expected rate of return on plan assets:	3.50% for June 30, 2019 and 3.87% for June 30, 2018. As the investments are currently all in fixed-income securities, we have assumed the Bond Buyer, 20-year general obligation, municipal bond index rate closest to, but not after, the Measurement Date would be appropriate.

Mortality Rates:

Pre-retirement:	RP-2014 Blue Collar Employee Mortality Table, set forward two years for males and four years for females, projected generationally using Scale MP-2015
Healthy annuitants:	RP-2014 Healthy Blue-Collar Annuitant Mortality Table, set forward two years for males and four years for females, projected generationally using Scale MP-2015
Disabled annuitants:	RP-2014 Disabled Retiree Mortality Table, projected generationally using Scale MP-2015

The tables above, with adjustments as shown, reasonably reflect the mortality experience of the Birmingham Retirement and Relief System as of the measurement date. The mortality tables were then generationally projected using Scale MP-2015 to reflect future mortality improvement.

TERMINATION RATES BEFORE RETIREMENT (CONTINUED):

Years of Service	1	2	3	4	5	6	7	8	9
Rate Withdrawal	10.00	9.00	8.00	7.50	7.00	6.50	6.00	5.50	5.00

Years of Service	10	11	12	13	14	15	16	17 - 20	20 - 30
Rate Withdrawal	4.50	4.00	3.50	3.00	2.50	2.00	1.50	1.00	1.00

NOTES TO THE FINANCIAL STATEMENT

TERMINATION RATES BEFORE RETIREMENT:

MORTALITY RATE (%)			
Age	MALE	FEMALE	DISABILITY**
20	0.06	0.02	0.08
25	0.06	0.02	0.11
30	0.06	0.03	0.14
35	0.07	0.04	0.19
40	0.09	0.07	0.29
45	0.16	0.11	0.47
50	0.27	0.17	0.79
55	0.44	0.25	1.31
60	0.56	0.38	2.12

Rates shown do not include generational projection.

50% of disability is assumed to be on-the-job disability.

RETIREMENT RATES:

Employees are assumed to retire, after meeting the service requirements, in accordance with the following rates:

Age	Under 50	50-54	55-60	61	62	63-64	65-73	74 & Over
Rate%	0.0	35.0	20.0	25.0	40.0	25.0	35.0	100.0

SALARY SCALE:

Age	20	25	30	35	40	45	50	55	60	65	70 & over
Rate%	7.00	6.25	5.50	4.75	4.00	3.50	3.00	2.75	2.50	2.50	2.50

The salary scale assumption includes an allowance for inflation of 2.50% per year. The assumption is based on the Authority's pay plan, along with analysis completed in conjunction with an Experience Study Report for the five-year period ended June 30, 2015.

NOTES TO THE FINANCIAL STATEMENT

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

PER CAPITA COST DEVELOPMENT:

Medical and Drug	Per capita costs were based on the active premium rates for 2019.
Administrative Expenses	Administrative expenses are included in the premium rates.
Assumed 2019 Average Health Subsidy (Single employee):	\$ 371
Assumed Retiree Cost for Life Insurance:	\$ 3.84 per \$1,000 of coverage per year.
Assumed Participation:	50% medical, 80% Life Insurance
Dependents:	Not Covered

PRE-RETIREMENT HEALTHCARE COST TREND:

Healthcare trend measures the anticipated overall rate at which health plan costs are expected to increase in future years. The rates shown below are "net" and are applied to the net per capita costs shown above. The trend shown for a particular plan year is the rate that must be applied to that year's cost to yield the next year's projected cost.

Year Ending	2020	2021	2022	2023	2024	2025+
Rate (%)	7.00	6.50	6.00	5.50	5.00	4.50

The trend rate assumptions were developed using Segal's internal guidelines, which are established each year using data sources such as the 2019 Segal Health Trend Survey, internal client results, trends from other published surveys prepared by the S&P Dow Jones Indices, consulting firms and brokers, and CPI statistics published by the Bureau of Labor Statistics.

PRE-RETIREMENT HEALTHCARE COST TREND:

Post-retirement Trend:	0%
Missing Data for Active Participants:	The expected age is 37. The expected service is 2. The expected pay is \$45,000.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is the age at the time the participant would have commenced employment if the plan had always been in existence. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by service, with Normal Cost determined as if the current benefit accrual rate had always been in effect. Actuarial Liability is allocated by salary.
Change in Assumptions:	The discount rate changed from 3.87% to 3.50% Medical participation assumption changed from 75% to 50% Medical trend rate assumption from 8% - 4.5% to 7% - 4.5%

NOTES TO THE FINANCIAL STATEMENT

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates

The following presents the net OPEB liability of the Authority if it were calculated using a discount rate that is 1-percentage-point lower (2.50%) or 1-percentage point higher (4.50%) than the current discount rate:

	1% Decrease in Discount Rate (2.50%)	Current Discount Rate (3.50%)	1% Increase in Discount Rate (4.50%)
Net OPEB liability (Asset)	\$ (35,737)	\$ (220,424)	\$ (369,347)

	1% Decrease in Healthcare Cost Trend Rates	Discount Rate Healthcare Cost Trend Rates	1% Increase in Healthcare Cost Trend Rates
Net OPEB liability (Asset)	\$ (257,586)	\$ (220,424)	\$ (175,699)

NOTES TO THE FINANCIAL STATEMENT

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Deferred Outflows of Resources and Deferred Inflows of Resources

The following charts reflect the deferred inflows and outflows of resources related to OPEB. Deferred inflows and outflows are differences between actual and expected experience that are not reflected in the current year's expenses.

OPEB EXPENSE:

REPORTING DATE FOR EMPLOYER UNDER GASB 75	June 30, 2019	June 30, 2018
MEASUREMENT DATE	June 30, 2019	June 30, 2018
Deferred Outflows of Resources		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions ⁽¹⁾	\$ -	-
• Changes of assumptions or other inputs	-	-
• Net difference between projected and actual earnings on OPEB plan investments	4,468	-
• Difference between expected and actual experience in the Total OPEB Liability	-	-
Total Deferred Outflows of Resources	\$ 4,468	-
Deferred Inflows of Resources		
• Changes in proportion and differences between employer's contributions and proportionate share of contributions ⁽¹⁾	\$ -	\$ -
• Changes of assumptions or other inputs	312,136	46,584
• Net difference between projected and actual earnings on OPEB plan investments	-	-
• Difference between expected and actual experience in the Total OPEB Liability	\$ 114,656	\$ 18,981
Total Deferred Inflows of Resources	\$ 426,792	\$ 65,565

Deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as follows:

Reporting Date for Employer under GASB 75 Year Ended June 30, 2020:

2019	2020	2021	2022	2023	THEREAFTER
N/A	\$ (52,232)	(52,232)	(52,232)	(52,232)	(213,396)

(1) Calculated in accordance with Paragraphs 54 and 55 of GASB 75

NOTES TO THE FINANCIAL STATEMENT

OPEB EXPENSE	June 30, 2019	June 30, 2018
Reporting Date for Employer under GASB 75	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2019	June 30, 2018
Components of OPEB Expense		
• Service cost	\$ 149,784	\$ 157,857
• Interest on Total OPEB Liability	58,565	50,036
• Expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	-	-
• Current-period benefit changes	-	-
• Expensed portion of current-period difference between expected and actual experience in Total OPEB Liability	(12,222)	(2,111)
• Expensed portion of current-period changes of assumptions or other inputs	(33,840)	(5,178)
• Member contributions	-	-
• Projected earnings on plan investments	(13,255)	-
• Expensed portion of current-period differences between actual and projected earnings on plan investments	1,116	-
• Administrative expense	-	-
• Other	-	-
• Recognition of beginning of year deferred outflows of resources as OPEB expense	-	-
• Recognition of beginning of year deferred inflows of resources as OPEB expense	(7,285)	-
• Net amortization of deferred amounts from changes in proportion and difference between employer's contributions and proportionate share of contributions	-	-
OPEB Expense	\$ 142,863	\$ 200,604

NOTE 12: DEFERRED COMPENSATION PLAN

The Authority offers certain executive employee(s) a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to executive employee(s), permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or beneficiary) solely the property and rights of the Authority (without being restricted to the provisions of benefits under the plan), subject only to the claims of the Authority's general creditors. Participants' rights under the plan are equal to those of general creditors of the Authority in an amount equal to the fair value of the deferred account for each participant.

It is the opinion of the Authority's legal counsel that the Authority has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The Authority believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTES TO THE FINANCIAL STATEMENT

NOTE 13: MAJOR CUSTOMERS

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. On 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.

From July 1, 2011 until August 14, 2016, the Authority entered into a new agreement with each of the six major airlines serving Birmingham. Under the terms of the agreement, the airlines will be charged full compensatory landing fee rates for the airfield and will be charged commercial compensatory rates for the terminal building reduced by a 35% non-airline terminal building revenue credit.

Effective August 15, 2016, the Authority entered into a new five-year agreement with each of the four major airlines serving Birmingham. Under the terms of the agreement, the airlines will be charged full compensatory landing fee rates for the airfield and will be charged commercial compensatory rates for the terminal building reduced by a 35%-50% non-airline terminal building revenue credit depending on Capital Improvement Fund balance. The new agreement contains an end-of-term option that allows for a renewal of an additional five years.

NOTE 14: 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 2019, the Authority was able to obtain \$578,561,838 of coverage for a premium of \$412,069.

No liability is recorded at June 30, 2019, 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, 2019.

NOTE 15: 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 \$5,232,094 and \$5,473,061 for the fiscal years ended June 30, 2019 and 2018, respectively.

NOTE 16: COMMITMENTS

At June 30, 2019, the Authority is committed under contracts for the following construction and planning projects:

NOTES TO THE FINANCIAL STATEMENT

NOTE 16: COMMITMENTS (CONT.)

	Committed Amount
ARFF Station Design	\$ 278,258
Land Redevelopment Plan	508,634
CNG Fueling Station	1,354,840
QTA Facility Construction	24,016,888
Glide Slope Improvement - Design	423,136
Church Demolition	341,000
Total Committed Amounts	<u>\$ 26,922,756</u>

NOTE 17: RECENTLY ISSUED ACCOUNTING STANDARDS

The GASB issued Statement No. 83, Certain Asset Retirement Obligations (GASB 83). This statement establishes criteria for recognition of a liability and a corresponding deferred outflow of resources and related disclosures for asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the future retirement of a tangible capital asset. The retirement of a tangible capital asset encompasses its sale, abandonment, recycling, or disposal in some other manner. The Authority implemented GASB 83 this year.

GASB issued Statement No. 84, Fiduciary Activities. This statement establishes criteria for identifying fiduciary activities of all state and local governments. GASB 84 will be effective for the Authority, fiscal year ending June 30, 2020. The Authority is currently evaluating the impact that GASB 84 may have on its financial statements, if any.

GASB issued Statement No. 87, Leases. This Statement was issued June 2017 to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments and increases the usefulness of governments' financial statements. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. GASB Statement No. 87 will be effective for the Authority for fiscal year ending June 30, 2021. The Authority is currently evaluating the impact that GASB 87 may have on its financial statements, if any.

NOTE 18: SUBSEQUENT EVENTS

On September 23, 2019, the Authority entered into another line of credit agreement permitting the Authority to borrow up to \$4,956,595 from BBVA Compass. This lending agreement expires on July 10, 2020.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Last 10 Fiscal Years (1)

SCHEDULE OF THE PLAN'S FIDUCIARY NET POSITION AS A PERCENTAGE OF TOTAL PENSION LIABILITY

	2019	2018	2017
Total Pension Liability	\$ 1,973,741,484	\$ 1,783,042,202	\$ 1,745,211,041
Less: Plan Fiduciary Net Position	1,042,877,491	1,055,421,690	1,038,084,945
City's Net Position Liability	\$ 930,863,993	\$ 727,620,512	\$ 707,126,096
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	52.84%	59.19%	59.48%

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

The following tables present the allocation of Net Pension Liability between the City, the Authority, and the Emergency Communication District:

Allocation of June 30, 2019 to Net Pension Liability (NPL)

EMPLOYER	COVERED EMPLOYEE	PERCENTAGE	NPL
City	\$ 200,827,204	96.47%	\$ 898,004,494
Authority	6,991,168	3.36%	31,277,030
Emergency Communication District	356,972	0.17%	1,582,469
Total for All Employers	\$ 208,175,344	100.00%	\$ 930,863,993

Allocation of June 30, 2018 to Net Pension Liability (NPL)

EMPLOYER	COVERED EMPLOYEE	PERCENTAGE	NPL
City	\$ 196,170,939	96.17%	\$ 699,752,646
Authority	7,494,780	3.67%	26,703,673
Emergency Communication District	319,178	0.16%	1,164,193
Total for All Employers	\$ 203,984,897	100.00%	\$ 727,620,512

Allocation of June 30, 2017 to Net Pension Liability (NPL)

EMPLOYER	COVERED EMPLOYEE	PERCENTAGE	NPL
City	\$ 193,408,555	96.60%	\$ 683,083,809
Authority	6,561,793	3.28%	23,193,736
Emergency Communication District	235,134	0.12%	848,551
Total for All Employers	\$ 200,205,482	100.00%	\$ 707,126,096

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Last 10 Fiscal Years (1)

SCHEDULES OF EMPLOYER CONTRIBUTIONS - PENSION PLAN

	2019	2018	2017	2016	2015
Actuarially determined contribution*	\$ 31,146,931	\$ 30,063,990	\$ 30,564,212	\$ 29,898,918	\$ 30,398,187
Contribution in relation to the actuarially determined contribution	19,652,651	17,276,073	16,554,808	16,370,100	14,464,552
Contribution deficiency (excess)	11,494,280	12,787,917	14,009,404	13,528,818	15,933,635
Covered payroll**	197,988,943	202,177,529	200,441,743	197,758,400	188,116,077
Contributions as percentage of covered payroll	9.93%	8.55%	8.26%	8.28%	7.69%

(1) Information in this schedule is presented for the year in which the information is available. Information will be added each year until a full 10-year trend is presented.

Notes to the schedule:

*The actuarially determined contribution is equal to the total calculated contribution in the most recent actuarial valuation, minus the portion expected to be covered by employee contributions.

**Payroll is estimated based on actual employee contributions received and a 7.00% contribution rate.

Notes:

Valuation date: Actuarially determined contribution rates are calculated using a July valuation date as of the beginning of the fiscal year in which contributions are reported.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Last 10 Fiscal Years (1)

SCHEDULE OF CONTRIBUTIONS — OTHER POST-EMPLOYMENT BENEFIT PLAN

YEAR ENDED JUNE 30:	ACTUARIALLY DETERMINED CONTRIBUTIONS ⁽¹⁾	CONTRIBUTIONS IN RELATION TO THE ACTUARIALLY DETERMINED CONTRIBUTIONS	CONTRIBUTION DEFICIENCY/ (EXCESS)	COVERED-EMPLOYEE PAYROLL ⁽²⁾	CONTRIBUTION AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL
2017	\$ 250,339	\$ 17,066	\$ 233,273	\$ 9,014,199	0.19%
2018	228,002	15,211	212,791	7,726,430	0.20%
2019	228,002	1,373,750	(1,145,748)	6,937,207	19.80%

(1) All "Actuarially Determined Contributions" through June 30, 2017, were determined as the "Annual Required Contribution" under GASB 43 and 45.

(2) Covered-employee payroll represents earnable compensation for those eligible for future benefits under the Plan.

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Valuation date	Actuarially determined contribution rates are calculated as of July 1.
Discount Rate	Beginning of year GASB 75 discount rate.
Asset Method	Market Value
Actuarial cost method	Entry Age Cost Method for fiscal 2018 and later, Projected Unit Credit for fiscal 2017
Amortization method	30 years, open, level dollar
Remaining amortization period	30 years

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Last 10 Fiscal Years (1)

SCHEDULE OF CHANGES IN NET OPEB LIABILITY — OTHER POST-EMPLOYMENT BENEFIT PLAN — LAST TWO FISCAL YEARS

REPORTING DATE FOR EMPLOYER UNDER GASB 75	June 30, 2019	June 30, 2018
MEASUREMENT DATE	June 30, 2019	June 30, 2018
Total OPEB Liability		
Service cost	\$ 149,784	\$ 157,857
Interest	58,565	50,036
Change of benefit terms	-	-
Differences between expected and actual experience	(110,006)	(21,092)
Changes of assumptions	(304,568)	(51,762)
Benefit payments, including refunds of member contributions	(7,420)	(15,211)
Net change in Total OPEB Liability	\$ (213,645)	\$ (119,828)
Total OPEB Liability — beginning	\$ 1,367,222	\$ 1,247,394
Total OPEB Liability — ending	\$ 1,153,577	\$ 1,367,222
Plan Fiduciary Net Position		
Contributions — employer	\$ 1,373,750	\$ 15,211
Contributions — employee	-	-
Net investment income	7,671	-
Benefit payments, including refunds of member contributions	(7,420)	(15,211)
Administrative expense	-	-
Other	-	-
Net change in Plan Fiduciary Net Positions	\$ 1,374,001	-
Plan Fiduciary Net Position — beginning	-	-
Plan Fiduciary Net Position — ending	-	-
Net OPEB Liability — ending	\$ (220,424)	\$ 1,367,222
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability	119.11%	0.00%
Covered payroll ^(a)	\$ 6,937,207	\$ 7,726,430
Plan Net OPEB Liability as a percentage of covered payroll	(3.18%)	17.70%

(a) Covered payroll represents earnable compensation for those eligible for future benefits under the Plan.



STATISTICAL DATA

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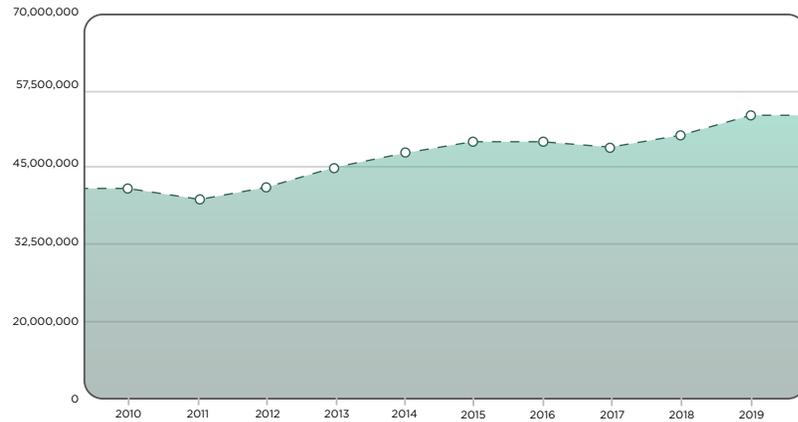
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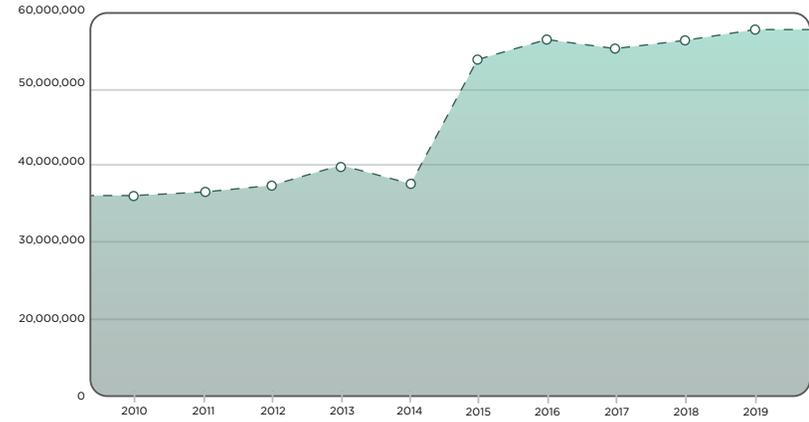
STATISTICAL INFORMATION (UNAUDITED)
For the year ended June 30

STATISTICAL INFORMATION (UNAUDITED)
For the year ended June 30

REVENUES 2010-2019



EXPENSES 2010-2019



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
REVENUES	\$ 40,779,469	\$ 39,736,440	\$ 42,589,003	\$ 45,415,867	\$ 50,074,696	\$ 54,151,129	\$ 54,355,603	\$ 54,082,564	\$ 56,952,622	\$ 60,739,233
EXPENSES	\$ 36,092,468	\$ 36,912,136	\$ 38,285,004	\$ 39,817,545	\$ 38,203,374	\$ 52,078,824	\$ 56,152,004	\$ 55,647,182	\$ 57,466,016	\$ 56,932,369

* Source: Birmingham Airport Authority Records
Note: Terminal Modernization Program completed (2014-2015)

STATISTICAL INFORMATION (UNAUDITED)
For the year ended June 30

STATISTICAL INFORMATION (UNAUDITED)
For the year ended June 30

NET POSITION AT YEAR END	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net Investment in Capital Assets	\$ 308,544,528	\$ 291,858,202	\$ 327,681,748	\$ 344,957,529	\$ 367,798,716	\$ 361,560,555	\$ 358,269,422	\$ 353,534,611	\$ 351,827,237	\$ 353,013,496
Restricted net position										
Restricted for debt service	10,054,888	30,021,761	27,004,507	20,313,401	22,797,506	23,108,351	23,613,285	24,041,654	24,581,248	25,294,000
Federal grants and programs	5,463,930	2,827,847	4,611,371	5,431,811	9,427,381	14,186,556	19,075,186	18,903,430	17,802,172	17,609,106
Compensation plan	-	-	-	1,501,515	-	-	-	-	-	-
Restricted - OPEB Trust	-	-	-	-	-	-	-	-	-	1,374,001
Unrestricted	24,348,159	31,638,898	19,875,139	14,235,396	18,624,099	27,179,399	30,881,474	39,014,644	40,779,939	43,879,762
Total Net Position	\$ 348,411,505	\$ 356,346,708	\$ 379,172,765	\$ 386,439,652	\$ 418,647,702	\$ 426,034,861	\$ 431,839,367	\$ 435,494,339	\$ 434,990,596	\$ 441,170,365

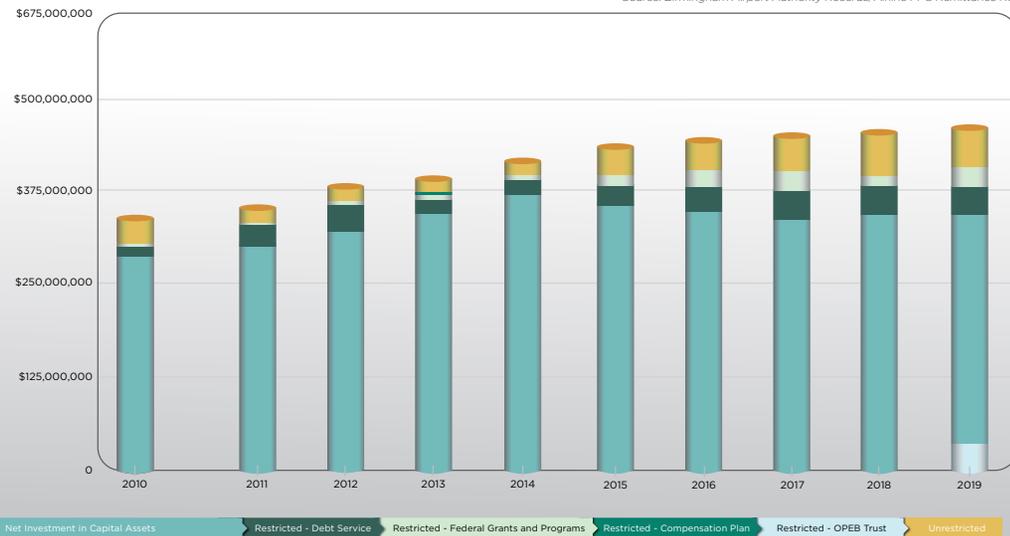
* Source: Birmingham Airport Authority Records, GASB 34

PFC COLLECTIONS	2010	2011	2012	2013
	\$ 5,610,792	\$ 6,055,719	\$ 5,596,859	\$ 5,573,339
Year-Over-Year Change	-3.92%	7.93%	-7.58%	-0.42%

	2014	2015	2016	2017	2018	2019
	\$ 5,473,591	\$ 5,263,847	\$ 5,095,712	\$ 5,223,462	\$ 5,710,690	\$ 6,139,766
	-1.79%	-3.83%	-3.19%	2.51%	9.33%	7.51%

* Source: Birmingham Airport Authority Records, Airline PFC Remittance Reports

**NET POSITION
AS OF JUNE 30
FOR EACH OF
THE YEARS
PRESENTED**



STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

**CHANGE IN NET POSITION
REVENUES AND EXPENSES**

OPERATING REVENUES	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Space Rentals	\$ 5,808,947	\$ 5,603,426	\$ 6,539,542	\$ 7,116,657	\$ 9,808,742	\$ 11,296,350	\$ 9,273,080	\$ 9,205,501	\$ 9,304,340	\$ 9,534,948
Concession fees – parking	13,224,807	13,099,652	13,048,872	13,115,821	12,545,705	12,764,253	12,984,370	12,615,023	13,149,917	14,157,461
Concession fees – other	6,975,523	5,950,106	6,525,438	6,301,301	6,530,087	7,057,996	8,783,938	8,643,213	8,889,828	9,443,426
Landing fees and fuel flowage	6,464,845	6,584,659	8,592,891	8,755,509	9,543,315	10,589,617	10,442,190	10,643,438	11,510,897	11,000,021
Ground hangar rentals	1,750,444	1,643,143	1,433,185	1,559,544	1,441,475	1,445,876	1,545,886	1,458,502	1,552,899	2,503,650
Other revenues	767,318	625,216	739,588	694,312	908,900	899,430	1,016,731	1,263,601	1,297,456	1,269,451
Total Operating Revenues	\$ 34,991,884	\$ 33,506,202	\$ 36,879,516	\$ 37,543,144	\$ 40,778,224	\$ 44,053,522	\$ 44,046,195	\$ 43,829,278	\$ 45,705,337	\$ 47,908,957
NON-OPERATING REVENUES	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Passenger facility charges	\$ 5,574,993	\$ 6,036,654	\$ 5,592,413	\$ 5,571,815	\$ 5,175,057	\$ 5,241,743	\$ 5,258,436	\$ 5,208,341	\$ 5,708,601	\$ 6,135,296
Customer facility charges	-	-	-	2,172,432	4,480,839	4,725,271	4,830,565	4,745,406	4,908,780	5,168,987
Interest income	231,570	182,826	117,074	220,012	161,504	130,593	110,407	239,243	480,042	1,141,005
Gain (loss) on disposal of capital assets	(18,978)	10,758	-	(91,536)	(520,928)	-	110,000	-	-	-
Insurance Settlement	-	-	-	-	-	-	-	27,283	(10,925)	9,332
Unrealized gain on investments (net)	-	-	-	-	-	-	-	33,013	160,787	375,655
Total Non-Operating Revenues	\$ 5,787,585	\$ 6,230,238	\$ 5,709,487	\$ 7,872,723	\$ 9,296,472	\$ 10,097,607	\$ 10,309,408	\$ 10,253,286	\$ 11,247,285	\$ 12,830,275
Total Revenues	\$ 40,779,469	\$ 39,736,440	\$ 42,589,003	\$ 45,415,867	\$ 50,074,696	\$ 54,151,129	\$ 54,355,603	\$ 54,082,564	\$ 56,952,622	\$ 60,739,232

* Source: Birmingham Airport Authority Records

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

**CHANGE IN NET POSITION CONT.
REVENUES AND EXPENSES**

OPERATING EXPENSES	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Personnel costs	\$ 9,355,893	\$ 9,417,882	\$ 10,031,567	\$ 10,231,827	\$ 11,879,459	\$ 11,705,510	\$ 11,279,857	\$ 11,633,387	\$ 12,090,442	\$ 9,853,432
Pension expense	-	-	-	-	-	1,632,061	4,793,349	3,501,021	3,895,785	4,402,363
Security and fire protection	3,892,604	4,338,959	3,400,629	3,729,969	4,078,188	3,920,943	4,080,074	4,520,505	5,473,061	5,232,094
Utilities	2,364,961	2,107,304	1,880,042	1,907,361	1,955,324	2,265,915	2,137,622	1,912,000	2,011,434	2,049,403
Professional services	843,255	929,795	964,245	1,926,349	1,474,436	1,186,682	735,644	568,201	1,005,640	2,259,523
Parking deck services	-	-	-	-	-	-	-	-	-	-
Materials and supplies	1,203,043	1,388,012	1,511,562	1,114,914	1,253,762	1,401,053	996,564	1,154,405	1,149,967	1,306,658
Repairs and maintenance	1,358,539	1,497,850	1,815,727	2,231,832	3,024,011	3,126,806	3,619,370	3,627,252	3,607,573	3,581,916
Other service	2,170,649	1,981,860	2,244,243	2,061,635	2,314,143	2,246,992	2,583,089	1,815,147	1,722,739	1,949,824
Total Operating Expenses	\$ 21,188,944	\$ 21,661,662	\$ 21,848,015	\$ 23,203,887	\$ 25,979,323	\$ 27,485,962	\$ 30,225,569	\$ 28,731,918	\$ 30,956,641	\$ 30,635,214

OPERATING EXPENSES	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Depreciation and amortization	\$ 11,413,143	\$ 11,206,784	\$ 12,932,776	\$ 13,447,518	\$ 9,775,644	\$ 15,572,715	\$ 16,311,707	\$ 17,342,863	\$ 17,258,899	\$ 17,361,529
NON-OPERATING EXPENSES										
Interest expense	3,342,273	3,640,736	3,480,338	3,213,571	2,479,850	9,011,341	9,606,613	9,572,401	9,250,551	8,935,626
Amortization of bond issuance expense	148,108	382,059	-	-	-	-	-	-	-	-
Unrealized loss on investments (net)	-	20,895	23,875	(47,431)	(31,443)	8,806	8,115	-	-	-
Total Non-Operating Expenses	\$ 3,490,381	\$ 4,043,690	\$ 3,504,213	\$ 3,166,140	\$ 2,448,407	\$ 9,020,147	\$ 9,614,728	\$ 9,572,401	\$ 9,250,551	\$ 8,935,626
TOTAL EXPENSES	\$ 36,092,468	\$ 36,912,136	\$ 38,285,004	\$ 39,817,545	\$ 38,203,374	\$ 52,078,824	\$ 56,152,004	\$ 55,647,182	\$ 57,466,091	\$ 56,932,369
CONTRIBUTIONS	\$ 22,645,758	\$ 5,110,899	\$ 21,209,548	\$ 12,759,313	\$ 20,336,728	\$ 6,844,392	\$ 7,600,907	\$ 4,937,446	\$ 9,726	\$ 2,372,906
TOTAL CHANGE IN NET POSITION	\$ 27,332,759	\$ 7,935,203	\$ 25,513,547	\$ 18,357,635	\$ 32,208,050	\$ 8,916,967	\$ 5,804,506	\$ 3,372,828	\$ (503,743)	\$ 6,179,770

* Source: Birmingham Airport Authority Records

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

PLEGGED REVENUES

OPERATING REVENUES		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Space Rentals:											
Terminal space rentals (1)		\$ 3,855,831	\$ 3,826,955	\$ 4,732,833	\$ 5,282,069	\$ 7,783,870	\$ 9,312,392	\$ 7,430,336	\$ 7,365,856	\$ 7,165,103	\$ 7,418,264
Rental car space rentals		491,146	497,350	493,446	493,446	500,283	540,766	589,742	597,959	620,816	614,110
Government agency space rentals		379,515	324,435	256,394	262,019	342,920	364,318	411,821	414,254	417,448	434,136
Cargo space rentals		709,900	582,553	605,666	593,077	644,573	436,801	259,688	258,990	512,255	498,990
Apron space rentals		372,555	372,133	451,203	486,046	537,096	642,073	581,493	568,442	588,718	569,448
Subtotal		\$ 5,808,947	\$ 5,603,426	\$ 6,539,542	\$ 7,116,657	\$ 9,808,742	\$ 11,296,350	\$ 9,273,080	\$ 9,205,501	\$ 9,304,341	\$ 9,534,948
OPERATING REVENUES		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Concession fees – parking:											
Auto parking		\$ 13,224,807	\$ 13,099,652	\$ 13,048,872	\$ 13,115,821	\$ 12,545,705	\$ 12,764,253	\$ 12,984,370	\$ 12,615,023	\$ 13,149,917	\$ 14,157,461
Subtotal		\$ 13,224,807	\$ 13,099,652	\$ 13,048,872	\$ 13,115,821	\$ 12,545,705	\$ 12,764,253	\$ 12,984,370	\$ 12,615,023	\$ 13,149,917	\$ 14,157,461
OPERATING REVENUES		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Concession fees – other:											
Concessions (2)		\$ 1,102,214	\$ 1,145,912	\$ 1,164,766	\$ 1,199,037	\$ 1,490,973	\$ 1,669,687	\$ 1,823,822	\$ 1,986,264	\$ 2,000,980	\$ 2,093,988
Advertising		99,481	45,774	88,585	41,772	177,869	219,381	279,327	262,755	282,802	350,518
Auto rental commission and Valet Services		5,580,509	4,580,884	5,069,106	4,841,917	4,509,543	4,761,518	6,254,853	5,991,920	6,230,938	6,632,715
Miscellaneous (3)		193,419	177,536	202,981	218,575	351,702	407,410	425,936	402,274	375,108	366,204
Subtotal		\$ 6,975,623	\$ 5,950,106	\$ 6,525,438	\$ 6,301,301	\$ 6,530,087	\$ 7,057,996	\$ 8,783,938	\$ 8,643,213	\$ 8,889,828	\$ 9,443,425

* Source: Birmingham Airport Authority Records

Notes:

- 1) Space Rentals, Baggage Handling System, and Jet Bridges
- 2) Food and Beverage, and News and Gift Shops
- 3) Taxi Fees, Ground Transportation, FBO Fees, Vending Machines, ATMs, and Airlines Services
- 4) Fuel Farms, Alabama National Guard, Reimbursement Utilities, RON, Facility Fees, TSA LEO, Settlements/Claims

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

PLEGGED REVENUES CONT.

OPERATING REVENUES	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Landing fees and fuel flowage:										
Airline landing fees	\$ 5,690,851	\$ 5,800,282	\$ 7,615,115	\$ 7,715,210	\$ 8,354,275	\$ 9,045,201	\$ 9,095,656	\$ 9,266,125	\$ 10,063,404	\$ 9,531,651
Cargo landing fees	422,068	441,037	650,717	725,314	877,418	1,172,092	971,064	959,063	982,342	971,902
Fuel flowage	316,556	326,802	307,698	304,626	304,531	312,429	327,774	340,322	374,666	394,763
Other landing fees	35,370	16,538	19,361	10,359	7,091	59,895	47,696	77,928	90,485	101,705
Subtotal	\$ 6,464,845	\$ 6,584,659	\$ 8,592,891	\$ 8,755,509	\$ 9,543,315	\$ 10,589,617	\$ 10,442,190	\$ 10,643,438	\$ 11,510,897	\$ 11,000,021
OPERATING REVENUES	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Ground hangar rentals:										
AAll	\$ 546,233	\$ 419,149	\$ 195,000	\$ 150,000	\$ 125,000	\$ 120,000	\$ 200,851	\$ 120,000	\$ 208,759	\$ 200,000
FBO's	265,760	281,095	275,295	275,295	275,295	275,295	275,295	275,295	275,295	275,295
Executive Hangars	785,630	796,047	820,068	991,428	898,285	905,862	911,477	879,243	883,616	1,842,503
Car Rental - Service Center	152,821	146,852	142,822	142,821	142,895	144,719	158,263	183,964	185,229	185,851
Subtotal	\$ 1,750,444	\$ 1,643,143	\$ 1,433,185	\$ 1,559,544	\$ 1,441,475	\$ 1,445,876	\$ 1,545,886	\$ 1,458,502	\$ 1,552,899	\$ 2,503,649
OPERATING REVENUES	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Other revenues:										
Badges	\$ 386,589	\$ 190,108	\$ 344,633	\$ 75,818	\$ 107,268	\$ 109,540	\$ 95,046	\$ 82,578	\$ 142,210	\$ 115,763
Courtesy vehicles	180,531	192,238	208,021	255,401	285,791	339,754	176,519	110,749	149,943	187,491
Other operating revenues (4)	200,198	242,870	186,934	363,093	515,841	450,144	745,166	1,070,274	1,005,303	966,198
Subtotal	\$ 767,318	\$ 625,216	\$ 739,588	\$ 694,312	\$ 908,900	\$ 899,430	\$ 1,016,731	\$ 1,263,601	\$ 1,297,456	\$ 1,297,452
TOTAL OPERATING REVENUES	\$ 34,991,984	\$ 33,506,202	\$ 36,879,516	\$ 37,543,144	\$ 40,778,224	\$ 44,053,522	\$ 44,046,195	\$ 43,829,278	\$ 45,705,336	\$ 47,908,956

* Source: Birmingham Airport Authority Records

Notes:

- 1) Space Rentals, Baggage Handling System, and Jet Bridges
- 2) Food and Beverage, and News and Gift Shops
- 3) Taxi Fees, Ground Transportation, FBO Fees, Vending Machines, ATMs, and Airlines Services
- 4) Fuel Farms, Alabama National Guard, Reimbursement Utilities, RON, Facility Fees, TSA LEO, Settlements/Claims

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

PLEGDED REVENUES CONT.

NET REVENUES		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Operating revenue		\$ 34,992	\$ 33,506	\$ 36,880	\$ 37,543	\$ 40,778	\$ 44,054	\$ 44,046	\$ 43,829	\$ 45,705	\$ 47,909
Interest on investments - revenue fund		232	183	117	220	162	131	110	239	480	1,141
Other non-operating revenues		5,556	6,047	5,592	7,653	9,135	9,967	10,199	10,014	10,767	12,830
GROSS REVENUES		\$ 40,780	\$ 39,736	\$ 42,589	\$ 45,416	\$ 50,075	\$ 54,151	\$ 54,356	\$ 54,083	\$ 56,952	\$ 61,880
LESS: OPERATING EXPENSES											
DEPRECIATION ADDED		(21,189)	(21,662)	(21,848)	(23,204)	(25,979)	(27,486)	(30,226)	(28,732)	(30,957)	(30,635)
NET PLEDGED REVENUE		\$ 19,591	\$ 18,075	\$ 20,741	\$ 22,212	\$ 24,095	\$ 26,665	\$ 24,130	\$ 25,351	\$ 25,995	\$ 29,862
Debt Service											
Principal		\$ 3,940	\$ 4,635	\$ 5,530	\$ 5,765	\$ 6,005	\$ 6,295	\$ 6,590	\$ 6,930	\$ 7,270	\$ 7,625
Interest		2,912	7,275	10,883	10,651	10,405	10,144	9,865	9,572	9,251	8,936
		6,852	11,910	16,413	16,416	16,410	16,439	16,455	16,502	16,521	16,561
Less PFC revenue available for debt service		-	(2,500)	(5,004)	(5,003)	(5,001)	(4,999)	(5,001)	(5,001)	(5,004)	(5,001)
Less grant revenue available for debt service		-	-	-	-	-	-	-	-	-	-
TOTAL DEBT SERVICE		\$ 6,852	\$ 9,410	\$ 11,409	\$ 11,413	\$ 11,410	\$ 11,440	\$ 11,454	\$ 11,502	\$ 11,517	\$ 11,560
COVERAGE OF DEBT SERVICE		2.86	1.52	1.26	1.35	1.47	1.62	1.47	1.54	1.57	1.80
Net Required revenue per bond rate covenant		\$ 8,565	\$ 11,763	\$ 14,262	\$ 14,266	\$ 14,262	\$ 14,299	\$ 14,317	\$ 14,377	\$ 14,396	\$ 14,450
RATIO OF REQUIRED REVENUE		2.29	1.54	1.45	1.56	1.69	1.86	1.69	1.76	1.81	2.07

Notes:

Debt service requirements is equal to interest expense (excluding amortization of bond discount and amounts provided for payment of interest by bond proceeds and other sources and deposited into a restricted fund for that purpose) for each respective fiscal year ended June 30, plus principal payment payable on the next July 1. Certain passenger facility charge revenue is available to cover required debt service.

Net revenues in each fiscal year are required to be at least equal to the larger of either (1) the debt service and reserve transfer requirements of each fiscal year or; (2) 125% of the debt service requirements for such fiscal year.

* Source: Birmingham Airport Authority Records

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

PLEGDED REVENUES FOR QTA

NET REVENUES	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Customer facility charge collections	\$ -	\$ -	\$ -	\$ 1,652,743	\$ 4,636,133	\$ 4,673,396	\$ 4,577,500	\$ 4,745,406	\$ 5,159,988	\$ 5,168,987
Interest income	-	-	-	12	2,689	4,544	36,039	64,079	107,691	166,017
TOTAL RESOURCES AVAILABLE FOR DEBT SERVICE	-	-	-	\$ 1,652,755	\$ 4,638,822	\$ 4,677,940	\$ 4,613,539	\$ 4,809,485	\$ 5,267,679	\$ 5,335,004
TOTAL ANNUAL EXPENSES	-	-	-	-	(51)	-	(207,097)	(3,930,703)	(7,206,521)	(7,276,963)
NET PLEDGED REVENUE	-	-	-	\$ 1,652,755	\$ 4,638,771	\$ 4,677,940	\$ 4,406,442	\$ 878,782	\$ (1,938,842)	\$ (1,941,959)

Notes:
On November 19, 2012, the Authority's Board of Directors elected to impose a Customer Facility Charge of \$5.00 per transaction day in order to fund a Quick Turn Around Facility "QTA" at the Airport.

Source: Birmingham Airport Authority Records, Rental Car Agency CFC Remittance Reports

No other Airport Funds are pledged toward the payment of the QTA.

OUTSTANDING DEBT BY TYPE (1)	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
2003A Revenue bonds, fixed rate	\$ 20,820,000	\$ 20,820,000	\$ 20,820,000	\$ 20,820,000	\$ 20,820,000	\$ 19,665,000	\$ 17,440,000	\$ 15,105,000	\$ 12,640,000	\$ 10,055,000
2003B Revenue bonds, fixed rate	8,625,000	6,835,000	4,950,000	3,000,000	960,000	-	-	-	-	-
2007 Revenue bonds, fixed rate	40,580,000	38,430,000	36,180,000	33,810,000	31,330,000	28,720,000	25,980,000	23,110,000	20,085,000	16,915,000
2010 Revenue bonds, fixed rate	-	151,705,000	151,205,000	149,995,000	148,750,000	147,470,000	146,140,000	144,755,000	143,315,000	141,800,000
SUBTOTAL, REVENUE BONDS PAYABLE	\$ 70,025,000	\$ 217,790,000	\$ 213,155,000	\$ 207,625,000	\$ 201,860,000	\$ 195,855,000	\$ 189,560,000	\$ 182,970,000	\$ 176,040,000	\$ 168,770,000
UNAMORTIZED DISCOUNT/PREMIUM	1,390,096	(380,582)	(414,110)	(446,929)	(479,024)	(479,776)	(481,232)	(483,323)	(485,985)	(489,159)
TOTAL OUTSTANDING DEBT PAYABLE	\$ 71,415,096	\$ 217,409,418	\$ 212,740,890	\$ 207,178,071	\$ 201,380,976	\$ 195,375,224	\$ 189,078,768	\$ 182,486,677	\$ 175,554,015	\$ 168,280,841
TOTAL ENPLANED PASSENGERS	1,454,050	1,476,022	1,447,794	1,408,170	1,307,885	1,330,235	1,349,032	1,336,065	1,409,531	1,533,824
OUTSTANDING DEBT PER ENPLANED PASSENGER	49.11	147.29	146.94	147.13	153.97	146.87	140.16	136.59	124.55	109.71

Notes: (1) Includes both current and long-term liabilities (See Note B)

*Source: Birmingham Airport Authority Records

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

PASS STATS BY CARRIER

AIRLINES	Fiscal Year 2014		Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017		Fiscal Year 2018		Fiscal Year 2019	
	Total Passengers	Market Share										
American Airlines, Inc.	144,058	5.5%	121,600	4.6%	3,851	0.1%	734	0.0%	684	0.0%	544	0.0%
Envoy Air - AA	-	0.0%	81,678	3.1%	88,414	3.3%	73,721	2.8%	111,816	4.0%	109,501	3.6%
American Eagle - AA	81,049	3.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Air Wisconsin - AA	-	0.0%	-	0.0%	134,336	5.0%	81,879	3.1%	6,010	0.2%	-	0.0%
Express Jet - AA	-	0.0%	-	0.0%	2,168	0.1%	4,816	0.2%	29,175	1.0%	7,493	0.2%
Mesa Airlines - AA	-	0.0%	-	0.0%	146,613	5.4%	168,447	6.3%	156,101	5.5%	226,843	7.4%
PSA Airlines - AA	-	0.0%	-	0.0%	232,405	8.6%	266,838	10.0%	314,256	11.1%	334,649	10.9%
Piedmont Airlines - AA	-	0.0%	-	0.0%	-	0.0%	12,003	0.4%	13,038	0.5%	41,667	1.4%
Tran State - AA	-	0.0%	-	0.0%	-	0.0%	17,739	0.7%	23,600	0.8%	6,116	0.2%
BahamasAir - AA	998	0.0%	986	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
SkyWest - AA	-	0.0%	-	0.0%	-	0.0%	-	0.0%	15,185	0.5%	275	0.0%
American Airlines, Inc. Subtotal	226,105	8.7%	204,264	7.7%	607,787	22.6%	621,177	23.5%	669,865	23.8%	727,088	23.7%
US Airways Express	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Aero Mexico - US	-	0.0%	772	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Air Wisconsin - US	18,652	0.7%	94,477	3.5%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Mesa Airlines - US	138,119	5.3%	56,627	2.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
PSA Airlines - US	186,072	7.1%	250,609	9.4%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
US Airways Express Subtotal	342,843	13.1%	402,485	15.1%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Delta Airlines	657,511	25.2%	726,460	27.3%	746,020	27.7%	724,089	27.1%	765,772	27.2%	804,660	26.2%
Express Jet (ASA) - DL	107,859	4.1%	104,167	3.9%	134,821	5.0%	94,620	3.5%	46,408	1.6%	-	0.0%
Endeavor - DL	66,251	2.5%	8,250	0.3%	21,524	0.8%	12,185	0.5%	17,611	0.6%	56,997	1.9%
GoJet - DL	6,909	0.3%	25,704	1.0%	-	0.0%	28,429	1.1%	95,930	3.4%	36,966	1.2%
Shuttle America - DL	1,728	0.1%	-	0.0%	2,383	0.1%	-	0.0%	-	0.0%	-	0.0%
SkyWest - DL	-	0.0%	1,251	0.0%	-	0.0%	23,676	0.9%	2,596	0.1%	92,542	3.0%
Compass - DL	22,353	0.9%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Delta Airlines Subtotal	862,611	33.0%	865,832	32.5%	904,748	33.6%	882,999	33.1%	928,317	32.9%	991,165	32.3%
Southwest Airlines	929,244	35.6%	904,018	34.0%	883,260	32.8%	855,357	32.1%	852,572	30.2%	903,211	29.5%
United Airlines	-	0.0%	-	0.0%	-	0.0%	-	0.0%	480	0.0%	1,673	0.1%
Express Jet - UA	221,866	8.5%	222,047	8.3%	164,076	6.1%	185,951	7.0%	139,756	5.0%	108,650	3.5%
Mesa - UA	-	0.0%	123	0.0%	64	0.0%	-	0.0%	13,435	0.5%	55,504	1.8%
SkyWest - UA	30,003	1.1%	62,304	2.3%	135,060	5.0%	93,068	3.5%	104,017	3.7%	90,458	3.0%
Republic - UA	-	0.0%	-	0.0%	-	0.0%	23,154	0.9%	57,291	2.0%	11,191	0.4%
Air Wisconsin - UA	-	0.0%	-	0.0%	-	0.0%	-	0.0%	4,670	0.2%	14,753	0.5%
GoJet - UA	-	0.0%	-	0.0%	-	0.0%	-	0.0%	25,820	0.9%	81,722	2.7%
United Airlines Subtotal	251,869	9.6%	284,474	10.7%	299,200	11.1%	302,173	11.3%	345,469	12.3%	372,571	12.2%
Xtra Airways	-	0.0%	1,265	0.0%	-	0.0%	1,304	0.0%	288	0.0%	-	0.0%
Republic	895	0.0%	121	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Sunwing	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%
Frontier	-	0.0%	-	0.0%	-	0.0%	-	0.0%	22,854	0.8%	71,290	2.3%
Via Air	-	0.0%	-	0.0%	-	0.0%	-	0.0%	-	0.0%	903	0.0%
Total Passengers	2,613,567	100%	2,662,459	100%	2,694,995	100%	2,668,010	100%	2,819,365	100.0%	3,066,228	100.0%

Notes: Detailed deplanement information only available through Fiscal Year 2014

* Source: Airline Reports

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

OPERATIONAL STATISTICS

FISCAL YEAR	ENPLANEMENTS AND DEPLANEMENTS	PERCENTAGE CHANGE
2010	2,907,255	-1.7%
2011	2,950,871	1.5%
2012	2,889,969	-2.1%
2013	2,815,266	-2.6%
2014	2,613,264	-7.2%
2015	2,662,197	1.9%
2016	2,694,995	1.2%
2017	2,668,010	-1.0%
2018	2,819,365	5.7%
2019	3,066,228	8.8%

AIRCRAFT OPERATIONS			
FISCAL YEAR	TOTAL	INCREASE (DECREASE)	PERCENTAGE CHANGE
2010	48,416	(1,554)	-3.1%
2011	47,484	(932)	-1.9%
2012	44,498	(2,986)	-6.3%
2013	41,916	(2,582)	-5.8%
2014	37,306	(4,610)	-11.0%
2015	37,630	324	0.9%
2016	38,492	862	2.3%
2017	37,706	(786)	-2.0%
2018	38,982	1,276	3.4%
2019	41,364	2,382	6.1%

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

OPERATIONAL STATISTICS

FISCAL YEAR	ENPLANEMENTS	PERCENTAGE CHANGE
2010	1,454,050	-1.7%
2011	1,476,022	1.5%
2012	1,447,794	-1.9%
2013	1,408,170	-2.7%
2014	1,307,885	-7.1%
2015	1,330,235	1.7%
2016	1,349,032	1.4%
2017	1,336,065	-1.0%
2018	1,409,531	5.5%
2019	1,533,824	8.8%

AIRCRAFT LANDING WEIGHT (in millions of pounds)			
FISCAL YEAR	TOTAL	INCREASE (DECREASE)	PERCENTAGE CHANGE
2010	1,948,140	(204,664)	-9.5%
2011	1,986,509	38,369	2.0%
2012	1,944,874	(41,635)	-2.1%
2013	1,835,261	(109,613)	-5.6%
2014	1,642,368	(192,893)	-10.5%
2015	1,635,170	(7,198)	-0.4%
2016	1,624,706	(10,464)	-0.6%
2017	1,656,428	31,722	2.0%
2018	1,738,586	82,158	5.0%
2019	1,833,622	95,036	5.5%

* Source: Airline Reports

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

STATISTICAL INFORMATION (UNAUDITED)

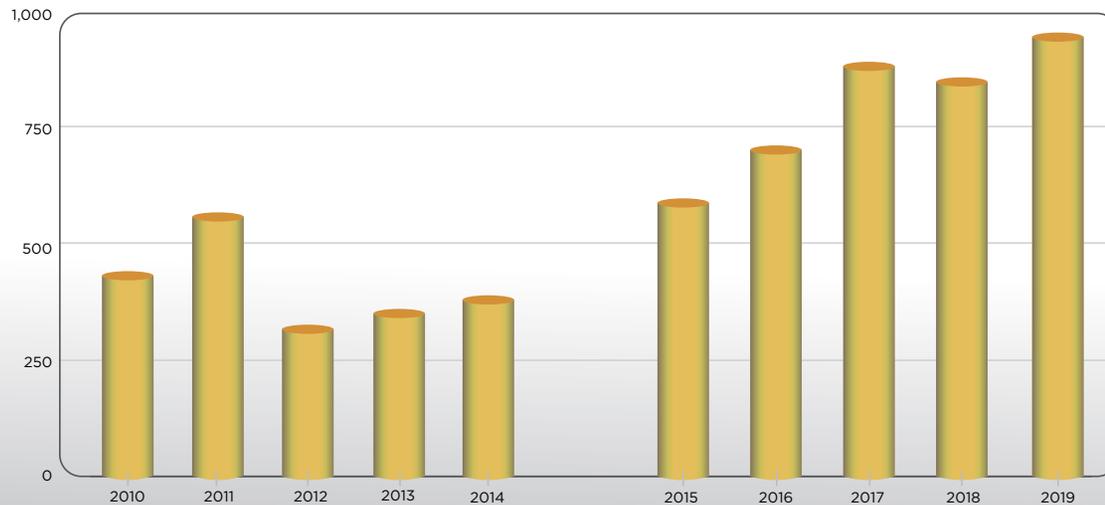
For the year ended June 30

DAYS FUNDED

OPERATING REVENUE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Cash available for operations										
Cash and cash equivalents (1)	\$ 24,078,282	\$ 32,948,410	\$ 19,902,278	\$ 24,681,350	\$ 21,485,093	\$ 26,453,879	\$ 28,488,429	\$ 34,430,543	\$ 39,525,666	\$ 32,075,429
Investments (1)	-	-	-	-	7,007,870	14,983,266	20,168,903	25,926,563	26,398,830	40,599,347
Total cash available for operations	\$ 24,078,282	\$ 32,948,410	\$ 19,902,278	\$ 24,681,350	\$ 28,492,963	\$ 41,437,145	\$ 48,657,332	\$ 60,357,106	\$ 65,924,496	\$ 72,674,776
MAINTENANCE AND OPERATING EXPENSE	\$ 21,188,944	\$ 21,661,662	\$ 21,848,015	\$ 23,203,887	\$ 25,979,323	\$ 25,853,901	\$ 25,432,220	\$ 25,230,897	\$ 27,694,887	\$ 27,615,930
DAYS IN FISCAL YEAR	365	365	366	365	365	365	366	365	365	365
DAYS FUNDED	415	555	333	388	400	585	700	873	869	961

Notes:
1) Unrestricted

*Source: Birmingham Airport Authority Records



STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

AIRPORT INFORMATION

BHM		
Location	4 miles Northeast of Downtown	
Area	2,170 Acres	
Elevation	650ft MSL	
Airport Code	BHM	
Runways	18/36	7,099ft x 150ft
	6/24	12,007ft x 150ft
Terminal Space	Airlines	88,527 sf
	Concession and Office Space	149,122 sf
	Circulation Space	147,250 sf
	Utilities	17,162 sf
	Others	23,062 sf
	Total	425,123 sf
Number of Gates/Hardstand Positions	19/4	
Commercial Airline Apron	1,812,216 sf	
Rental Car Facility	8 Rental Car Agencies	
Parking Spaces	Parking Deck	4,500
	Economy Lot	450
	Employee Lot	287
	Total	5,237

* Source: Birmingham Airport Authority Records



STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

SUMMARY OF CERTAIN RATES AND CHARGES

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Signatory:										
Landing Rates (1)	2.92	2.92	2.92	4.15	5.06	6.60	5.50	5.64	5.69	5.64
Terminal Space Rentals (2)	55.24	64.45	64.45	62.78	80.37	65.73	67.67	69.67	69.42	68.58
Apron Rentals (4)	0.89	1.08	1.08	1.20	1.39	1.59	1.50	1.25	1.26	1.32
Non-Signatory:										
Landing Rates (1)	3.65	3.65	3.65	5.19	6.33	8.25	6.88	7.05	7.11	7.05
Terminal Space Rentals (2)	69.05	80.56	80.56	78.48	100.46	82.16	84.59	87.09	86.78	85.72
Apron Rentals (4)	1.11	1.35	1.35	1.50	1.74	1.99	1.88	1.56	1.58	1.65
Aircraft Parking (per day) (5)	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00	105.00
Parking Rates (3)										
Parking Deck Daily	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00	12.00
Parking Deck Hourly	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00	24.00
Economy Lot	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00

Notes:

- 1) Per 1,000 pounds of landing weight
- 2) Per square foot per year
- 3) Maximum per day
- 4) Per square foot per year
- 5) Priced for a narrow body aircraft

Source: Birmingham Airport Authority Records

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
NUMBER OF EMPLOYEES	126	128	114	130	141	133	131	158	166	160

*Source: Birmingham Airport Authority Records

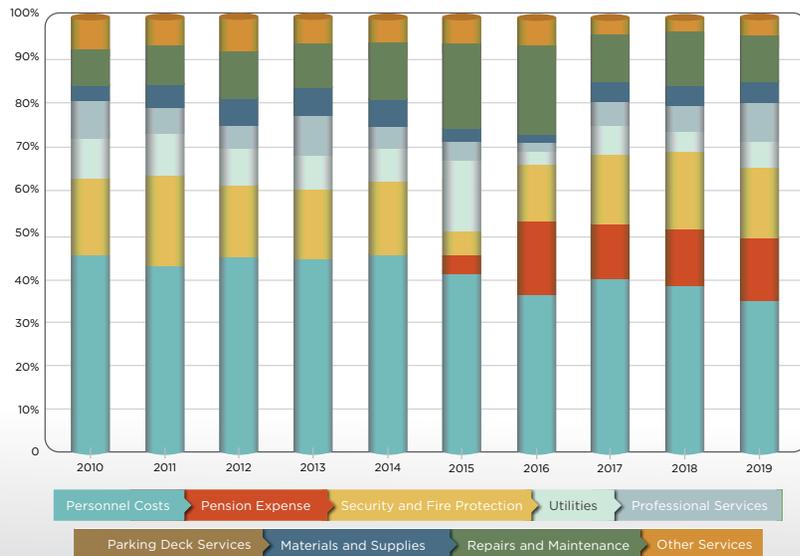
STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

STATISTICAL INFORMATION (UNAUDITED)

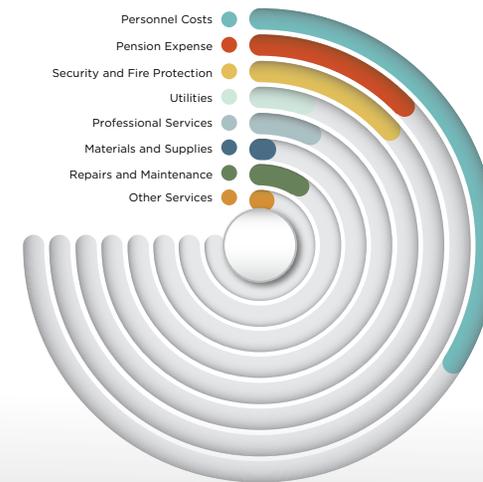
For the year ended June 30

OPERATING EXPENSES	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Personnel costs	\$ 9,355,893	\$ 9,417,882	\$ 10,031,576	\$ 10,231,827	\$ 11,879,459	\$ 11,705,510	\$ 11,279,857	\$ 11,633,387	\$ 12,090,442	\$ 9,853,432
Pension expense	-	-	-	-	-	1,632,061	4,793,349	3,501,021	3,895,785	4,402,363
Security and fire protection	3,892,604	4,338,959	3,400,629	3,729,969	4,078,188	3,920,943	4,080,074	4,520,505	5,473,061	5,232,094
Utilities	2,364,961	2,107,304	1,880,042	1,907,361	1,955,324	2,265,915	2,137,622	1,912,000	2,011,434	2,049,403
Professional services	843,255	929,795	964,245	1,926,349	1,474,436	1,186,682	735,644	568,201	1,005,640	2,259,523
Parking deck services	-	-	-	-	-	-	-	-	-	-
Materials and supplies	1,203,043	1,388,012	1,511,562	1,114,914	1,253,762	1,401,053	996,564	1,154,405	1,149,967	1,306,658
Repairs and maintenance	1,358,539	1,497,850	1,815,727	2,231,832	3,024,011	3,126,806	3,619,370	3,627,252	3,607,573	3,581,916
Other service	2,170,649	1,981,860	2,244,243	2,061,635	2,314,143	2,246,992	2,583,089	1,815,147	1,722,739	1,949,824
Total Operating Revenue	\$ 21,188,944	\$ 21,661,662	\$ 21,848,015	\$ 23,203,887	\$ 25,979,323	\$ 27,485,962	\$ 30,225,569	\$ 28,731,918	\$ 30,956,641	\$ 30,635,213



10-YEAR EXPENSES COMPOSITION

*Source: Birmingham Airport Authority Records

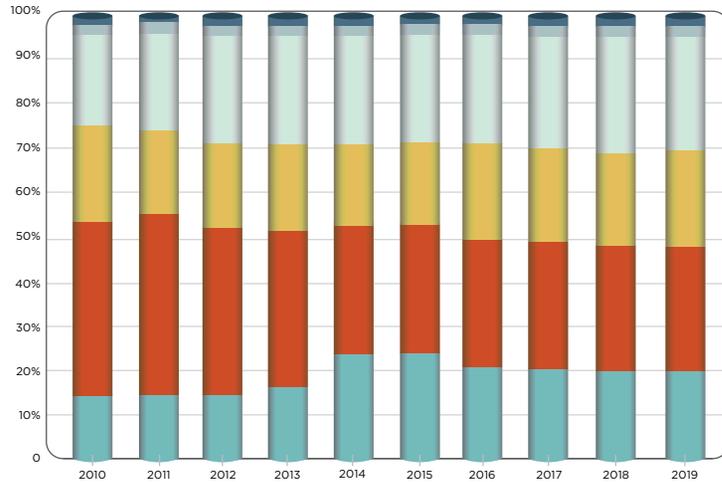


FY 2019 OPERATING EXPENSES COMPOSITION

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

10-YEAR REVENUE COMPOSITION

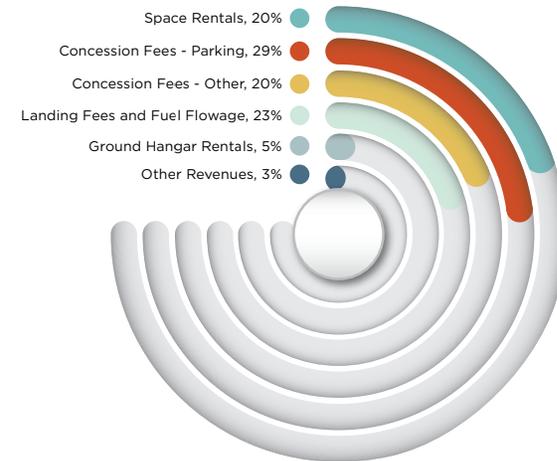


Space Rentals Concession Fees - Parking Concession Fees - Other Landing Fees and Fuel Flowage Ground Hangar Rentals Other Revenue

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

FY 2019 OPERATING REVENUE COMPOSITION



OPERATING REVENUE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Space Rentals	\$ 5,808,947	\$ 5,603,426	\$ 6,539,542	\$ 7,116,657	\$ 9,808,742	\$ 11,296,350	\$ 9,273,080	\$ 9,205,501	\$ 9,304,340	\$ 9,534,948
Concession fees - parking	13,224,807	13,099,652	13,048,872	13,115,821	12,545,705	12,764,253	12,984,370	12,615,023	13,149,917	14,157,461
Concession fees - other	6,975,523	5,950,106	6,525,438	6,301,301	6,530,087	7,057,996	8,783,938	8,643,213	8,889,828	9,443,426
Landing fees and fuel flowage	6,464,845	6,584,659	8,592,891	8,755,509	9,543,315	10,589,617	10,442,190	10,643,438	11,510,897	11,000,021
Ground hangar rentals	1,750,444	1,643,143	1,433,185	1,559,544	1,441,475	1,445,876	1,545,886	1,458,502	1,552,899	2,503,650
Other revenues	767,318	625,216	739,588	694,312	908,900	899,430	1,016,721	1,263,601	1,297,456	1,269,450
Total Operating Revenue	\$ 34,991,884	\$ 33,506,202	\$ 36,879,516	\$ 37,543,144	\$ 40,778,224	\$ 44,053,522	\$ 44,046,195	\$ 43,829,278	\$ 45,705,337	\$ 47,908,957

*Source: Birmingham Airport Authority Records

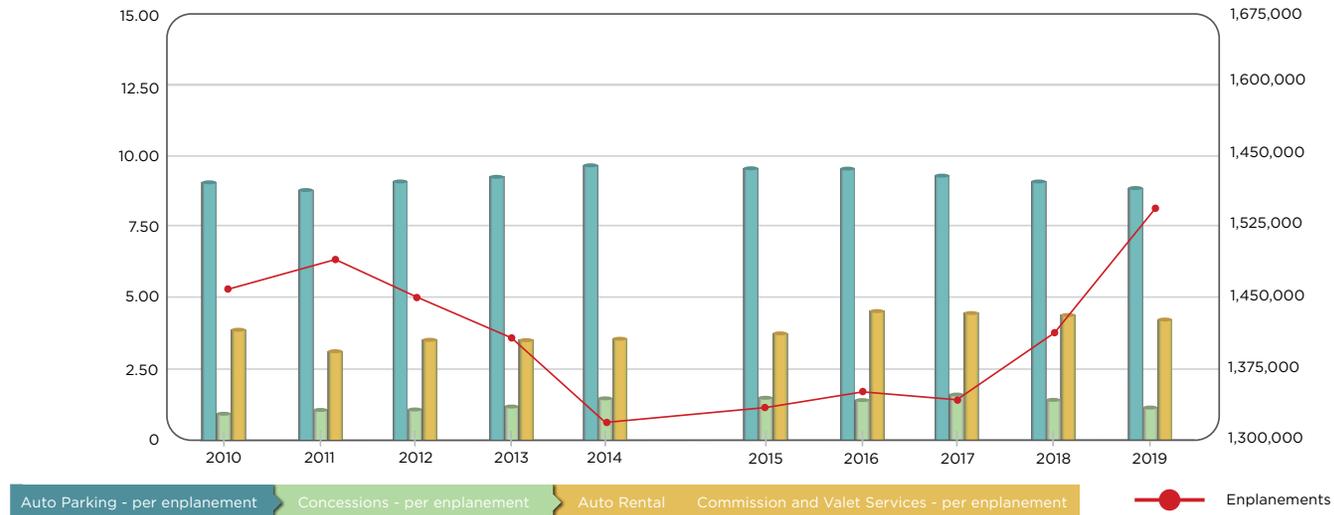
STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

KEY REVENUE SOURCES PER ENPLANEMENT



OPERATING REVENUE	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue										
Auto Parking	\$ 13,224,807	\$ 13,099,652	\$ 13,048,872	\$ 13,115,821	\$ 12,545,705	\$ 12,764,253	\$ 12,984,370	\$ 12,615,023	\$ 13,149,917	\$ 14,157,461
Concessions	1,102,214	1,145,912	1,164,766	1,199,037	1,490,973	1,669,687	1,823,822	1,986,264	2,000,980	2,093,988
Auto Rental Commission and Valet Service	5,580,409	4,580,884	5,069,106	4,841,917	4,509,543	4,761,518	6,254,853	5,991,920	6,230,938	6,632,715
Enplanements	1,454,050	1,476,022	1,447,794	1,408,170	1,307,885	1,330,235	1,349,032	1,336,065	1,409,531	1,533,824
Revenue per Enplanement										
Auto Parking - per enplanement	9.10	8.87	9.01	9.31	9.59	9.60	9.62	9.44	9.33	9.23
Concessions - per enplanement	0.76	0.78	0.80	0.85	1.14	1.26	1.35	1.49	1.42	1.37
Auto Rental Commission and Valet Services - per enplanement	3.84	3.10	3.50	3.44	3.45	3.58	4.64	4.48	4.42	4.32

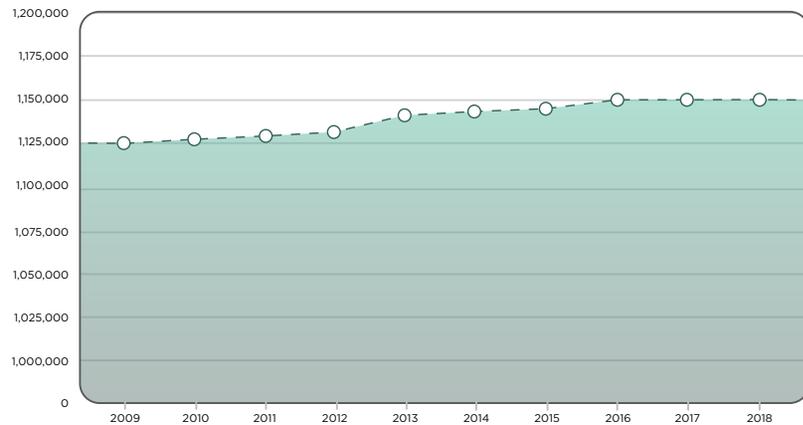
*Source: Birmingham Airport Authority Records, Airline Reports

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

The primary service region for the Birmingham-Shuttlesworth International Airport, the seven-county Birmingham-Hoover Metropolitan Statistical Area ("MSA"), has a diverse economic base and is the principal center of finance, trade, healthcare, manufacturing, transportation and education in the State of Alabama. The MSA includes the following seven counties, ordered based on population size (largest to smallest): Jefferson, Shelby, St. Clair, Walker, Blount, Chilton, and Bibb. Jefferson County, which has an estimated population of approximately 660,000 in 2018, is the center of the seven-county Birmingham-Hoover Metropolitan Statistical Area (MSA), which covers 6,145 square miles. Birmingham, the state's largest city and the county seat, has an estimated population of approximately 209,000 in 2018.

BIRMINGHAM-HOOVER MSA POPULATION (2009-2018)



YEAR	2009	2010	2011	2012	2013
POPULATION	1,125,271	1,128,879	1,130,905	1,133,993	1,139,018

YEAR	2014	2015	2016	2017	2018
POPULATION	1,142,823	1,145,647	1,150,168	1,150,942	1,151,899

*Source: U.S. Census, Nielson

STATISTICAL INFORMATION (UNAUDITED)

For the year ended June 30

BIRMINGHAM-HOOVER MSA LARGEST TEN EMPLOYERS (2018 COMPARED TO 2009)

NAME	2018			2009		
	LOCAL EMPLOYEES	RANK	% OF MSA EMPLOYMENT	LOCAL EMPLOYEES	RANK	% OF MSA EMPLOYMENT
University of Alabama at Birmingham	23,000	1	4.3%	21,339	1	4.2%
Brookwood Baptist Health	6,807	2	1.3%	4,370	5	0.9%
Regions Financial Corp.	6,700	3	1.2%	6,000	2	1.2%
St. Vincent's Health System	5,000	4	0.9%	4,662	4	0.9%
Children's of Alabama	4,853	5	0.9%	3,713	7	0.7%
AT&T	4,800	6	0.9%	4,700	3	0.9%
Honda Manufacturing of Alabama	4,500	7	0.8%	4,000	6	0.8%
Mercedes-Benz U.S. International Inc.	3,700	8	0.7%	2,992	10	0.6%
BlueCross and BlueShield of Alabama	2,521	9	0.5%	3,281	8	0.7%
Birmingham VA Medical Center	2,426	10	0.5%			
BBVA Compass				3,007	9	0.6%
Total	64,307		11.9%	58,064		11.5%
Est. MSA Employment	538,500			504,400		

*Source: Birmingham Business Journal Book of Lists (2011 and 2019)
Note: Due to rounding, percentages may not add up precisely to the totals provided.

BIRMINGHAM-HOOVER MSA STATISTICAL SUMMARY

YEAR	EMPLOYMENT	PERSONAL INCOME (\$000S)	PER CAPITA PERSONAL INCOME	MEDIAN AGE	SCHOOL ENROLLMENT	AVERAGE UNEMPLOYMENT RATE (%)
2007	537,600 (2)	\$ 43,026,551 (1)	\$ 38,859 (1)	37.4 (1)	267,255 (1)	3.6 (2)
2008	533,700 (2)	44,116,000 (1)	39,491 (1)	37.6 (1)	277,877 (1)	5.0 (2)
2009	504,400 (2)	42,282,600 (1)	37,575 (1)	37.0 (1)	275,457 (1)	10.2 (2)
2010	496,600 (2)	44,041,700 (1)	39,017 (1)	37.3 (1)	279,530 (1)	9.8 (2)
2011	498,500 (2)	45,652,600 (1)	40,384 (1)	37.4 (1)	281,252 (1)	8.8 (2)
2012	506,900 (2)	47,871,400 (1)	42,237 (1)	37.6 (1)	283,017 (1)	7.0 (2)
2013	512,400 (2)	47,759,600 (1)	41,962 (1)	37.9 (1)	284,730 (1)	6.3 (2)
2014	516,200 (2)	49,813,500 (1)	43,654 (1)	38.1 (1)	283,267 (1)	6.0 (2)
2015	521,900 (2)	52,084,400 (1)	45,508 (1)	38.2 (1)	282,980 (1)	5.5 (2)
2016	526,500 (2)	52,903,500 (1)	46,128 (1)	38.3 (1)	281,045 (1)	5.5 (2)
2017	531,600 (2)	55,311,900 (1)	48,105 (1)	38.8 (3)	284,414 (3)	4.1 (2)
2018	538,500 (2)	57,712,626 (4)	50,063 (4)	39.0 (3)	282,387 (3)	3.5 (2)

Notes:
(1) U.S. Census Bureau; Bureau of Economic Analysis (4) Moody's Analytics
(2) U.S. Bureau of Labor Statistics (5) N/A - data is not available
(3) S&P Market Intelligence, Nielson



COMPLIANCE SECTION

- 113** Independent Auditor's 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
-
- 115** Independent Auditor's Report Compliance for the Major Program and on Internal Control Over Compliance Required by the Uniform Guidance
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- 117** Schedule of Expenditures of Federal Awards
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- 118** Notes to Schedule of Expenditures of Federal Awards
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- 119** Schedule of Findings and Questioned Costs
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- 121** Independent Auditor's Report on Compliance for the Passenger Facility Charge Program and Report on Internal Control over Compliance Required by the Federal Aviation Administration
-
- 123** Schedule of Passenger Facility Charges Collected and Expended
-
- 124** Notes to the Schedule of Passenger Facility Charges Collected and Expended



**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the basic financial statements of the Birmingham Airport Authority ("the Authority"), a component unit of the City of Birmingham, Alabama, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated December 19, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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.



To the Board of Directors of the
Birmingham Airport Authority
Page 2

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Birmingham, Alabama
December 19, 2019

Banks, Finley White & Co.

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Birmingham Airport Authority ("the Authority"), a component unit of the City of Birmingham, Alabama, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the Authority's major federal programs for the years ended June 30, 2019 and 2018. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. 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 audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.



To the Board of Directors of the
Birmingham Airport Authority
Page 2

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Birmingham, Alabama
December 19, 2019

Banks, Finley White & Co.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2019

FEDERAL GRANTOR	ID NUMBER	CFDA NUMBER	EXPENDITURES
U.S. Department of Transportation:			
Airport Improvement Program	AIP 3-01-0014-094-2014	20.106	\$ 74,979
Airport Improvement Program	AIP 3-01-0014-095-2014	20.106	111,535
Airport Improvement Program	AIP 3-01-0014-098-2015	20.106	1,335,399
Airport Improvement Program	AIP 3-01-0014-100-2018	20.106	817,020
Airport Improvement Program	AIP 3-01-0014-101-2018	20.106	33,967
Total U.S. Department of Transportation			2,372,906
Total Expenditures of Federal Awards			\$ 2,372,906

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended June 30, 2019

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes 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 Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). The Schedule presents only selected portion of the operations of the Authority. The Schedule is not intended to and does not present the financial position, changes in financial position or cash flows of the Authority.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual or modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the year ended June 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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 financial reporting:

- 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: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance Section 200.515? Yes No

Identification of major programs:

CFDA Numbers

20.106

Name of Federal Program or Cluster

Airport Improvement Program

Dollar threshold used to distinguish between

\$750,000

Type A and Type B programs:

Yes No

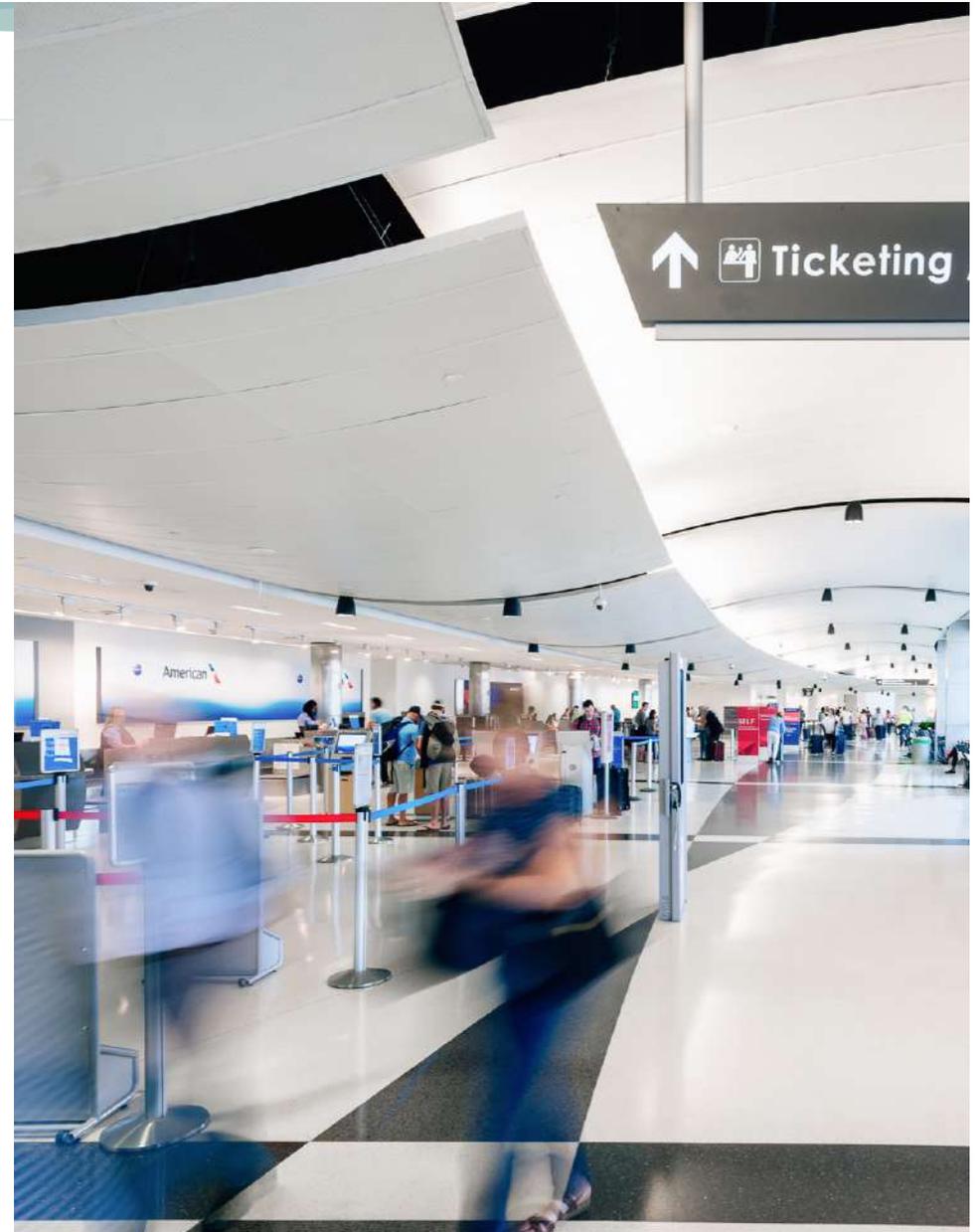
Auditee qualified as low-risk auditee?

Section II - Financial Statement Findings

None reported.

Section III - Federal Award Findings and Questioned Costs

None reported.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE PASSENGER FACILITY CHARGE PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE FEDERAL AVIATION ADMINISTRATION**

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

Report on Compliance for Passenger Facility Charges

We have audited the compliance of the Birmingham Airport Authority ("the Authority"), a component unit of the City of Birmingham, Alabama, 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 could have a direct and material effect on its Passenger Facility Charge ("PFC") program for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with requirements of laws, regulations, contracts, and grants applicable to the PFC program.

Auditor's Responsibility

Our responsibility is to express an opinion on the Authority's compliance for the PFC program based on our audit of the types of compliance requirements referred to above. 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 has 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 on compliance for the PFC program. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on Compliance

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the PFC program for the year ended June 30, 2019.



To the Board of Directors of the
Birmingham Airport Authority
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Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the PFC program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the PFC program and to test and report on the 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.

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 the Guide 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 the Guide will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a PFC program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (Guide). Accordingly, this report is not suitable for any other purpose.

Birmingham, Alabama
December 19, 2019

Banks, Finley White & Co.

SCHEDULE OF PASSENGER FACILITY CHARGES COLLECTED AND EXPENDED

For the year ended June 30, 2019

QUARTER ENDED	PFC CHARGES RECEIVED	INTEREST EARNED	TOTAL RECEIVED	EXPENDITURES ON APPROVED PROJECTS	NET PER FINANCIAL STATEMENTS
Beginning Balance	\$ 99,252,201	\$ 1,406,229	\$ 100,658,430	\$ 98,575,521	\$ 2,082,910
9/30/2018	1,484,200	748	1,484,948	1,250,184	234,764
12/31/2018	1,541,469	832	1,542,301	1,250,184	292,117
3/31/2019	1,393,255	869	1,394,124	1,250,184	143,940
6/30/2019	1,950,368	2,021	1,952,388	1,250,186	702,203
Total 2019	\$ 6,369,292	\$ 4,470	\$ 6,373,762	\$ 5,000,738	\$ 1,373,024
Total Program to Date	\$ 105,621,493	\$ 1,410,699	\$ 107,032,192	\$ 103,576,259	\$ 3,455,934
Receivable at June 30, 2019					\$ 751,291
PFC Funds to be used for future debt service payments and capital projects:					\$ 4,207,225

NOTES TO THE SCHEDULE OF PASSENGER FACILITY CHARGES (PFC) COLLECTED AND EXPENDED

NOTE 1: BASIS OF PRESENTATION

The accompanying Schedule of Passenger Facility Charges (PFC) Collected and Expended includes all the PFCs and the interest earnings thereon collected by the Authority from August 1, 1997 (original date of approval) through June 30, 2019. The schedule also includes all funds expended life to date. The Authority currently collects \$4.50 per enplaned passenger. The current approval for charges as approved by the Federal Aviation Administration (FAA) is estimated to end on February 1, 2031.

NOTE 2: BASIS OF ACCOUNTING

The accompanying Schedule of Passenger Facility Charges Collected and Expended present revenues received on a cash basis while expenses are reported based upon the allocation of costs to approved projects.

NOTE 3: PROGRAM COSTS

The amounts shown as current year revenues and expenses represent only the Passenger Facility Charges portions of the project costs. Entire project costs may be more than shown.

NOTE 4: RECONCILIATION TO STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

Passenger Facility Charges are reported on an accrual basis in the Authority's Statement of Revenues, Expenses, and Changes in Net Position in the Comprehensive Annual Financial Report. Reporting standards adopted by the FAA require for purposes of the Schedule of PFC Collected and Expended such charges be reported on a cash basis. A reconciliation between cash collections and revenues reported on the accrual basis is as follows:

FISCAL YEAR 2019	
Passenger Facility Charges:	
Cash Collections per Schedule of PFC Collected and Expended	\$ 6,369,292
Less Prior Year Accrual	985,287
Add Current Year Accrual	751,291
Amount Per Statements of Revenues, Expenses, and Changes in Net Position	\$ 6,135,296



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FISCAL YEAR 2019 BAA PROJECT SUMMARIES

Air Rescue and Fire Fighting (ARFF) Station

The Birmingham Airport Authority will design and construct a new, four (4) bay ARFF station to house all ARFF equipment and personnel needed to meet Index C requirements under 14 CFR Part 139. This project will allow for improved efficiency and transparency on future safety and certification inspections on all ARFF services at BHM. The ARFF station will comprise of a 17,548-square-foot facility, including 4 vehicle bays (3 federally funded), sleeping quadrants and an access apron from the facility to Taxiway 'A'. The station will be located adjacent to the terminal, directly off the maintenance apron.



Air Rescue and Fire Fighting (ARFF) Vehicles

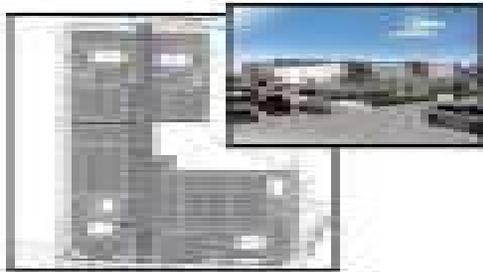
The BAA is pursuing two Air Rescue and Fire Fighting vehicles. The vehicles will be fully owned, maintained and operated by the BAA. The vehicles will provide for greater safety and efficiencies during emergency operations. These vehicles will be equipped with all the needed tools to provide effective ARFF services. The two vehicles will include:



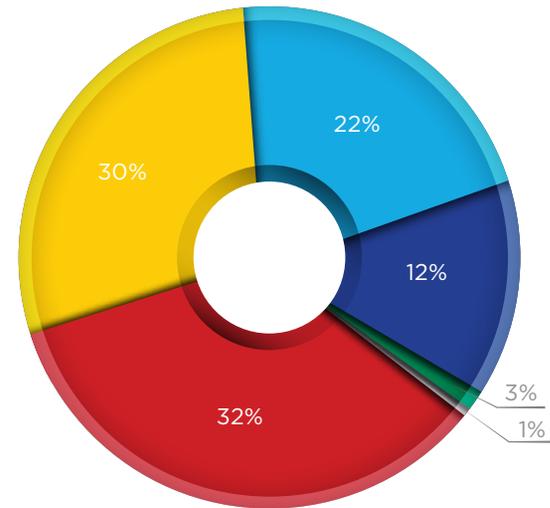
1. Rosenbauer Panther 4x4
 - a. 1,500-gallon capacity
 - b. High Velocity Low Attack (HVLA)
 - c. ARFF Tools
2. Rosenbauer Panther 6x6
 - a. 3,000-gallon capacity
 - b. High Reach Extendable Turret (HRET)
 - c. ARFF Tools

Rental Car Quick Turn Around (QTA) Facility

The BAA is constructing a Quick Turn Around (QTA) facility that will allow for all the rental car tenants of the BAA to service their inventory of vehicles. The facility will include four (4) office buildings, fueling stations, maintenance stations and car wash stations for the rental car companies. These facilities will allow for greater capacity to meet their needs in serving the airport guests.



O&D PASSENGER MARKET SHARE



	Delta	United	
	Southwest	Frontier	
	American	Other	

BHM OVERVIEW

2.9
million passengers
served in 2018

5
airlines

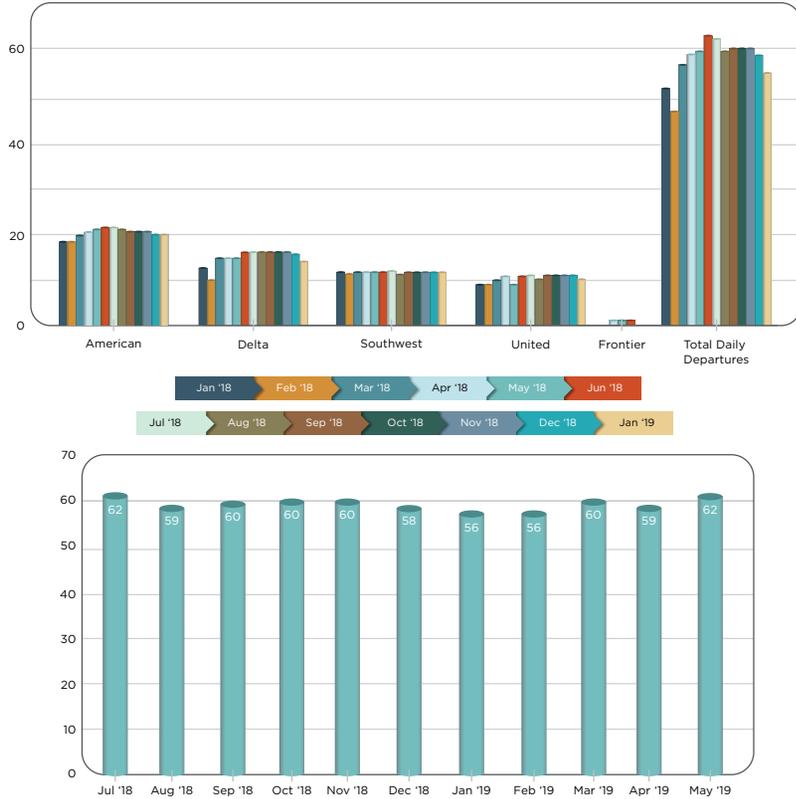
Over
112
daily flights

18
airports
served
nonstop

93%
customer
satisfaction rate

BHM DAILY DEPARTURES

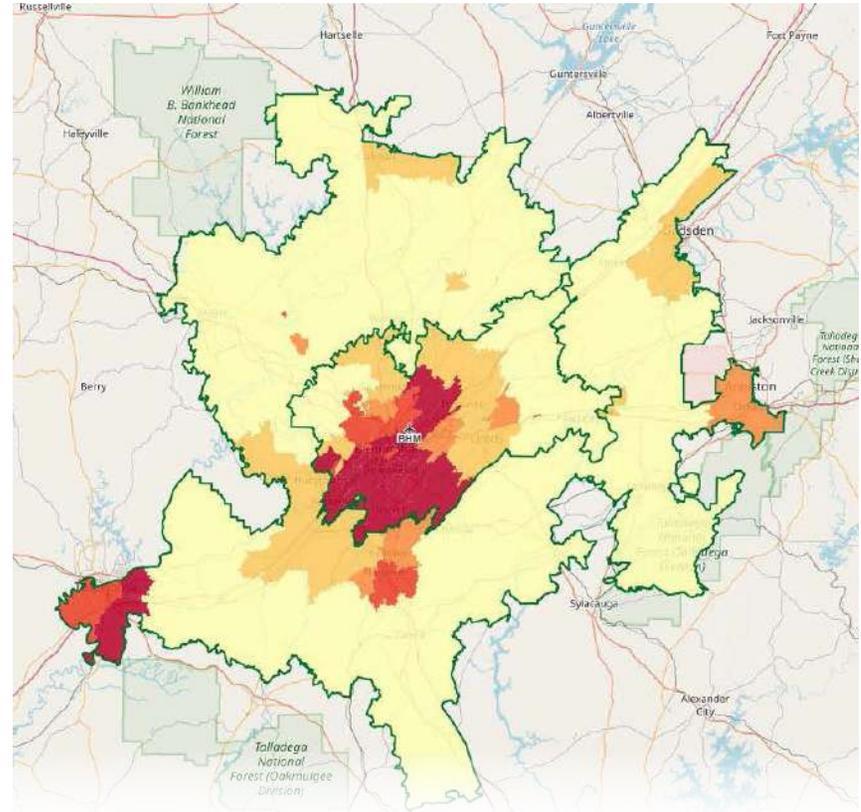
TOTAL DAILY DEPARTURES



Airline partners for the Birmingham-Shuttlesworth International Airport provide daily departures to 18 airports in 15 U.S. cities. This includes the following flights:

- Southwest Airlines offers the BHM passenger the most nonstop flights and the farthest west to Las Vegas, Baltimore, Chicago, Dallas, Houston, Orlando, and Tampa.
- American Airlines flies to Chicago, Dallas, Charlotte, Philadelphia, and Washington National.
- Delta Airlines serves Birmingham with flights to Atlanta, Detroit, and New York.
- United Airlines flies west to Denver, plus two other nonstops to Houston and Chicago.

CATCHMENT AREA DEMOGRAPHICS



BHM Catchment Area - 60-minute drive: The Birmingham Catchment Area was defined as the geographic region surrounding the Birmingham-Shuttlesworth International Airport that is approximately a 60-minute drive from the airport.

TOP O&D MARKETS

Rank	Destination	O&D Passengers	O&D Revenue (\$)	Average Fare (\$)	YOY% Change		
					Pax	Rev	Fare
1	Orlando, FL (MCO)	178,828	21,631,249	121	21%	4%	(14%)
2	Tampa, FL	105,674	14,711,893	139	8%	3%	(4%)
3	New York, NY (LGA)	102,441	21,803,534	213	15%	11%	(4%)
4	Washington, DC (DCA)	91,434	18,650,523	204	5%	6%	0%
5	Dallas, TX (DFW)	91,364	19,806,306	217	11%	14%	2%
6	Denver, CO	90,523	15,543,886	172	31%	8%	(17%)
7	Dallas, TX (DAL)	78,906	11,659,723	148	9%	1%	(8%)
8	Chicago, IL (ORD)	75,584	15,060,046	199	(7%)	(2%)	5%
9	Las Vegas, NV	70,985	15,183,226	214	7%	11%	4%
10	Houston, TX (IAH)	69,983	13,699,981	196	15%	11%	(3%)
11	Baltimore, MD	67,365	11,126,338	165	(4%)	(3%)	1%
12	Chicago, IL (MDW)	65,505	10,116,127	154	3%	4%	1%
13	Houston, TX (HOU)	63,829	9,961,824	156	8%	2%	(6%)
14	Detroit, MI	62,679	15,712,310	251	13%	8%	(4%)
15	Los Angeles, CA	62,627	15,718,034	251	0%	6%	6%
16	Philadelphia, PA	55,436	12,437,447	224	3%	7%	4%
17	Charlotte-Douglas, NC	47,424	12,494,990	263	0%	4%	4%
18	Boston, MA	41,441	8,601,419	208	14%	6%	(7%)
19	Phoenix, AZ (PHX)	39,060	9,286,118	238	5%	9%	4%
20	San Francisco, CA	37,023	9,865,201	266	9%	10%	1%
Total All Markets		2,897,017	675,688,335	233	8%	6%	(2%)

7 of the top 20 markets experienced double-digit increases in passengers; overall, passengers were up **8%** year over year while fares decreased **2%**.

*Source: Diio Mi, YE Q2 2019

TOP INTERNATIONAL O&D MARKETS

Rank	Destination	O&D Passengers	O&D Revenue (\$)	Average Fare (\$)	YOY% Change		
					Pax	Rev	Fare
1	Toronto, Canada	12,891	2,905,109	225	14%	13%	(1%)
2	Mexico City, Mexico	11,924	2,170,234	182	13%	32%	16%
3	Cancun, Mexico	9,780	1,980,115	202	(5%)	0%	6%
4	Montego Bay, Jamaica	8,419	2,068,998	246	17%	18%	1%
5	London, UK (LHR)	7,770	5,809,507	748	10%	14%	4%
6	Vancouver, Canada	6,146	1,919,479	312	21%	28%	5%
7	Nassau, Bahamas	5,564	1,394,301	251	22%	29%	6%
8	Stuttgart, Germany	5,440	7,970,616	1,465	(13%)	(18%)	(6%)
9	Punta Cana, Dominican Republic	4,802	1,480,640	308	19%	18%	(1%)
10	Montreal, Canada	4,699	1,151,251	245	(3%)	(3%)	(1%)
11	Frankfurt, Germany	4,453	3,771,912	847	(15%)	(22%)	(9%)
12	Tokyo, Japan (NRT)	4,343	5,416,997	1,247	11%	14%	2%
13	Paris De Gaulle, France	4,090	3,288,399	804	13%	70%	50%
14	Queretaro, Mexico	3,921	879,596	224	54%	46%	(5%)
15	San Jose Cabo, Mexico	3,839	932,304	243	5%	20%	14%
16	San Jose, Costa Rica	3,475	987,571	284	20%	14%	(5%)
17	Rome Da Vinci, Italy	3,376	2,127,199	630	(4%)	(2%)	3%
18	Guatemala City, Guatemala	3,019	1,060,880	351	23%	22%	(0%)
19	Calgary, Canada	2,897	815,517	281	11%	3%	(7%)
20	Liberia, Costa Rica	2,629	840,051	320	57%	50%	(5%)
Total All Markets		238,510	127,623,705				

International made up **8%** of total O&D passengers and **19%** of O&D revenue.

*Source: Diio Mi, YE Q2 2019

U.S. DOT O&D AIRPORT REPORT

for flights from BHM for travel YE Q4 2017

	DESTINATION	MILES	PASSENGERS PER PERIOD
BHM : Birmingham, AL, US	MCO : Orlando, FL, US	478	70,546.9
BHM : Birmingham, AL, US	TPA : Tampa, FL, US	460	50,555.9
BHM : Birmingham, AL, US	DCA : Washington-National, DC, US	654	42,306.9
BHM : Birmingham, AL, US	LGA : New York-La Guardia, NY, US	866	41,466.7
BHM : Birmingham, AL, US	DFW : Dallas/Fort Worth, TX, US	597	39,464.3
BHM : Birmingham, AL, US	ORD : Chicago-O'Hare, IL, US	584	37,298.7
BHM : Birmingham, AL, US	MDW : Chicago-Midway, IL, US	570	35,863.1
BHM : Birmingham, AL, US	BWI : Baltimore, MD, US	682	35,131.8
BHM : Birmingham, AL, US	DAL : Dallas-Love, TX, US	587	33,807.7
BHM : Birmingham, AL, US	LAS : Las Vegas, NV, US	1,618	33,104.5
BHM : Birmingham, AL, US	IAH : Houston-Intercontinental, TX, US	562	30,539.4
BHM : Birmingham, AL, US	DEN : Denver, CO, US	1,082	29,951.2
BHM : Birmingham, AL, US	LAX : Los Angeles, CA, US	1,815	28,797.2
BHM : Birmingham, AL, US	HOU : Houston-Hobby, TX, US	570	28,783.9
BHM : Birmingham, AL, US	DTW : Detroit, MI, US	625	28,323.9
BHM : Birmingham, AL, US	CLT : Charlotte-Douglas, NC, US	352	23,749.1
BHM : Birmingham, AL, US	PHL : Philadelphia, PA, US	772	23,593.6
BHM : Birmingham, AL, US	BOS : Boston, MA, US	1,050	18,052.0
BHM : Birmingham, AL, US	PHX : Phoenix, AZ, US	1,455	17,668.6
BHM : Birmingham, AL, US	SFO : San Francisco, CA, US	2,013	15,785.7
BHM : Birmingham, AL, US	EWR : Newark, NJ, US	850	15,676.5
BHM : Birmingham, AL, US	FLL : Fort Lauderdale, FL, US	650	15,666.3
BHM : Birmingham, AL, US	SAN : San Diego, CA, US	1,759	15,598.2
BHM : Birmingham, AL, US	MIA : Miami, FL, US	661	15,329.4
BHM : Birmingham, AL, US	AUS : Austin, TX, US	682	14,646.1
BHM : Birmingham, AL, US	MSP : Minneapolis/St. Paul, MN, US	854	13,939.7
BHM : Birmingham, AL, US	SEA : Seattle, WA, US	2,079	13,618.9
BHM : Birmingham, AL, US	RDU : Raleigh/Durham, NC, US	481	13,498.4
BHM : Birmingham, AL, US	SAT : San Antonio, TX, US	744	13,136.0
BHM : Birmingham, AL, US	SLC : Salt Lake City, UT, US	1,471	12,036.4
BHM : Birmingham, AL, US	MCI : Kansas City, MO, US	594	11,955.3
	Other		365,763.4
	Total		1,185,656.9

DEMOGRAPHICS REPORT FOR POSTAL CODES WITHIN 50 MILES OF BHM

Note: U.S. Source data is from U.S. 2010 Census. However, U.S. Business data is from 2009 while U.S. Estimated Population and Purchasing Power data are based upon the current monthly estimates.

Note: Source: Statistics Canada, Profile for Forward Sortation Areas, 2006 Census, catalogue 94-581-XCB2006003.

Note: \$1.00 (USD) = \$1.27 (CAD).

GENERAL	
Households	546,346
Avg. House Value	152,553
Avg. Household Income	50,453
CURRENT ESTIMATED	
Population	1,482,493
Purchasing Power	30,326,362,154
POPULATION	
Total	1,390,832
Male	671,995
Female	718,837
White	976,090
African American	369,730
Hispanic	56,172
Asian	18,824
Hawaiian	1,169
Native American	10,468
Other	32,149

BIRMINGHAM AIRPORT AUTHORITY
INTERSTATE ACCESS MAP



BIRMINGHAM FOOTPRINT

INTERSTATE ACCESS MAP

BHM IS CONVENIENTLY LOCATED ABOUT

4.5 MILES east of

**DOWNTOWN
BIRMINGHAM**

and the Uptown entertainment district

COMPLETE WITH RESTAURANTS, BARS,
HOTELS, AND EVENT FACILITIES

ADJACENT TO

**INTERSTATES
20 & 59**

WITH EASY ACCESS TO INTERSTATES

459, 65 & 22

BHM AIR SERVICE NONSTOP MARKETS

ROUND TRIP TO 18 DESTINATIONS ACROSS THE UNITED STATES

ATLANTA	HOUSTON HOBBY
BALTIMORE-WASHINGTON	HOUSTON INTERCONTINENTAL
CHARLOTTE	LAS VEGAS MCCARRAN (AS OF JUNE 30, 2019)
CHICAGO MIDWAY	MIAMI
CHICAGO O'HARE	NEW YORK LA GUARDIA
DALLAS LOVE FIELD	ORLANDO
DALLAS/FORT WORTH	PHILADELPHIA
DENVER	TAMPA
DETROIT	WASHINGTON NATIONAL



BHM GLOBAL ACCESS: 397 ONE-STOP DESTINATIONS

DOMESTIC - 276 UNIQUE DESTINATIONS												INTERNATIONAL - 121 UNIQUE DESTINATIONS						
ABE	BFL	CID	DCA	FAI	GSO	ISP	LSE	MSO		PIR	SAT	STS	ACA	CUU	JNB	NRT	SKB	YWG
ABI	BGM	CKB	DEN	FAR	GSP	ITH	LYH	MSP		PIT	SAV	STT	AGU	CZM	KIN	OAX	SLP	YYC
ABQ	BGR	CLE	DFW	FAT	GTF	JAC	MAF	MSY		PLN	SBA	STX	AMS	DBV	LHR	PAP	SNN	YYZ
ABY	BIL	CLL	DHN	FAY	GUC	JAX	MBS	MTJ		PNS	SBN	SUN	ANU	DGO	LIM	PBC	STI	ZCL
ACK	BIS	CLT	DIK	FCA	HDN	JFK	MCI	MVY		PRC	SBP	SUX	ATH	DUB	LIR	PEI	STR	ZIH
ACT	BMI	CMH	DLH	FLG	HHH	JLN	MCO	MYR		PSC	SBY	SWF	AUA	DUS	LIS	PEK	SVD	ZRH
ACV	BNA	CMI	DRO	FLL	HLN	JMS	MDT	OAJ		PSP	SCE	SWO	BAQ	EDI	LOS	PLS	SXM	
AEX	BOI	CMX	DRT	FLO	HNL	KOA	MDW	OAK		PUB	SDF	SYR	BCN	ELH	MAD	POP	SYD	
AGS	BOS	CNY	DSM	FNT	HOB	LAN	MFE	OGG		PVD	SEA	TLH	BDA	EZE	MAN	POS	TAM	
ALB	BPT	COD	DTW	FSD	HOU	LAR	MFR	OKC		PWM	SFO	TOL	BGI	FCO	MBJ	PRG	TGU	
ALO	BQK	COS	EAR	FSM	HPN	LAS	MHK	OMA		RAP	SGF	TPA	BJX	FDX	MDE	PTP	TRC	
AMA	BRO	COU	EAU	FWA	HRL	LAW	MHT	ONT		RDM	SHV	TRI	BLQ	FPO	MEX	PTY	TXL	
ANC	BTR	CPR	ECP	GCC	HTS	LAX	MIA	ORD		RDU	SJC	TUL	BOG	FRA	MGA	PUJ	UIO	
APN	BTW	CRP	EGE	GCK	HVN	LBB	MKE	ORF		RIC	SJT	TUS	BON	GCM	MHH	PVG	UVF	
ART	BUF	CRW	ELM	GEG	IAD	LBF	MKG	OTH		RKS	SJU	TVC	BRU	GDL	MID	PVR	VCE	
ASE	BUR	CSG	ELP	GGG	IAH	LCH	MLB	PAE		RNO	SLC	TXK	BUD	GGT	MLM	QRO	VER	
ATW	BWI	CVG	ERI	GJT	ICT	LEX	MLI	PBI		ROA	SLN	TYR	BZE	GIG	MTY	RTB	VRA	
AUS	BZN	CWA	ESC	GNV	IDA	LFT	MLU	PDX		ROC	SMF	TYS	CAP	GND	MUC	SAL	YEG	
AVL	CAE	CYS	EUG	GPT	ILM	LGA	MOB	PGV		ROW	SNA	UIN	CDG	GRU	MVD	SAP	YHZ	
AVP	CAK	DAB	EVV	GRB	IMT	LIH	MOT	PHF		RST	SPI	VLD	COR	GUA	MXP	SCL	YOW	
AZO	CHA	DAL	EWN	GRI	IND	LIT	MQT	PHL		RSW	SPS	VPS	CTG	HAV	MZT	SDQ	YQB	
BDL	CHO	DAY	EWR	GRK	IPT	LNK	MRY	PHX		SAF	SRQ	XNA	CUN	HKG	NAS	SJD	YUL	
BFF	CHS	DBQ	EYW	GRR	ISN	LRD	MSN	PIA		SAN	STL	YUM	CUR	ICN	NGO	SJO	YVR	

*Source: Dijo Mi Schedule for August 2019



BIRMINGHAM AIRPORT AUTHORITY



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APPENDIX C
FORM OF THE INDENTURE

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TRUST INDENTURE

between

BIRMINGHAM AIRPORT AUTHORITY

and

**REGIONS BANK,
as Trustee**

Dated July 9, 2020

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This **TRUST INDENTURE** is dated this 9th day of July, 2020, and entered into between the **BIRMINGHAM AIRPORT AUTHORITY**, a public corporation under the laws of the State of Alabama, party of the first part, and **REGIONS BANK**, an Alabama banking corporation, party of the second part,

RECITALS

The party of the first part makes the following recitals of facts as the basis for the undertaking following: it is a public corporation duly organized and existing under the laws of the State of Alabama; by proper corporate action, it has duly authorized the issuance of the Series 2020 Bonds hereinafter referred to; and to secure payment of the principal of and the interest (and premium, if any) on all the Bonds that may be issued hereunder it has by proper corporate action duly authorized the execution and delivery of this Indenture.

NOW, THEREFORE, THIS INDENTURE

WITNESSETH:

For the aforesaid purpose and in consideration of the respective agreements herein contained, it is hereby agreed between the parties signatory hereto and the Holders of all Bonds issued hereunder (the Holders of said Bonds evidencing their consent hereto by their acceptance of the said Bonds and the parties signatory hereto evidencing their consent hereto by their execution hereof), each with each of the others, as follows (provided that in the performance of any of the agreements of the party of the first part herein contained, any obligation it may thereby incur for the payment of money shall not be a general debt on its part but shall be payable solely out of the Net Revenues from the Airport hereinafter referred to):

ARTICLE I

DEFINITIONS AND USE OF PHRASES

Section 1.1 Definitions. The following words and phrases and others evidently intended as the equivalent thereof shall, in the absence of clear implication herein otherwise, be given the following respective interpretations herein:

"Additional Bonds" means those authorized to be issued under the Indenture in Article VIII hereof.

"Airport" or **"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 and any Maintenance/Manufacturing Facilities so long as any indebtedness issued to finance such Special Purpose Facilities and Maintenance/Manufacturing Facilities, respectively, 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.

"Annual Debt Service Requirement" means, as of any date of determination with respect to a Fiscal Year, the amount of principal and interest maturing or Maturity Amount due with respect to the then outstanding Bonds, and the amount due to be paid to a Bank or a Bond Insurer as a result of a draw on a Reserve Fund Credit Facility, in such Fiscal Year less any amount payable or to be payable by the United States of America to the Authority or the Trustee during such Fiscal Year as an interest subsidy or rebate with respect to interest on any outstanding Bonds (but only to the extent that such subsidy or rebate has not been offset or terminated and there is no inquiry, pending or threatened, pursuant to which the United States of America, or any agency thereof, has challenged the right of the Authority or the Trustee to receive such subsidy or rebate); provided, however,

(a) that the principal amount or Compounded Amount of any Bonds subject to a Mandatory Redemption Requirement during such Fiscal Year shall, for purposes of this definition, be considered as maturing in the Fiscal Year during which such redemption is required and not in the Fiscal Year in which their stated maturity occurs;

(b) that for purposes of the definition, Bonds that are deemed paid under the provisions of Section 16.1 hereof shall not be deemed to be outstanding;

(c) that, except as hereinafter provided in this subparagraph, the rate of interest on Variable Rate Bonds outstanding at the time of such calculation shall be deemed to be the lesser of (i) the rate of interest borne by such Variable Rate Bonds on any date selected by the Authority that is within the 60-day period prior to the date of such calculation, or (ii) the average per annum rate of interest borne by such Variable Rate Bonds, during the twelve-month period immediately preceding any date selected by the Authority that is within the 60-day period prior to the date of such calculation;

(d) that the rate of interest on Variable Rate Bonds then proposed to be issued shall be deemed to be the thirty-year *Revenue Bond Index* most recently published in *The Bond Buyer* as of any date selected by the Authority that is within the 60-day period prior to the date of such calculation; or, if the *Revenue Bond Index* is no longer available, the average long-term fixed rate of interest as of a date selected by the Authority that is within the 60-day period prior to the date of such calculation on securities of similar quality and having similar maturities as certified by an Independent Financial Advisor;

(e) that the principal of Balloon Bonds shall be deemed to mature in annual installments over a period equal to the greater of (i) twenty years or (ii) the number of years (rounded to the next lowest number in the case of a part of a year) between the date with respect to which such calculation is made and the date of maturity of such Balloon Bonds, so as to result, in either case, in approximately equal payments of principal and interest (and if such Balloon Bonds are Variable Rate Bonds, the interest rate applicable thereto shall be calculated as provided in clauses (c) or (d) of this definition, whichever is applicable); and

(f) that any on-going fees related to Variable Rate Bonds (such as fees for a Credit Facility, fees for liquidity providers,

remarketing agent's fees and the like) shall be included as interest on such Variable Rate Bonds.

"Authority" means the party of the first part hereto and its successors and assigns and includes any public corporation or other legal entity resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"Authorized Authority Representative" means the President and CEO of the Airport, the Chairman of the Directors, the Chief Financial Officer of the Airport, or such person or persons at any time designated in a written instrument signed by the said President and CEO, Chairman of the Directors or Chief Financial Officer to serve as an Authorized Authority Representative.

"Authorized Denominations" means the principal sum or Maturity Amount of \$5,000 or any integral multiple thereof or such other or different amount or amounts as shall be specified for a particular series of Bonds as set forth therein or in the Supplemental Indenture authorizing the issuance of such series of Bonds.

"Authorizing Statute" means Chapter 3 of Title 4 of the Code of Alabama 1975, as amended, as may be amended from time to time.

"Average Annual Debt Service" means the average amount payable in a Fiscal Year as principal of and interest on Bonds secured by the Reserve Fund then outstanding; provided that, for purposes of this definition, the due dates of principal of such Bonds shall be determined and calculated as provided in the definition of the term "Annual Debt Service Requirement" in this Section 1.1.

"Baggage Facility Fees" means fees or charges levied by the Authority to pay the costs of replacement, refurbishment or acquisition of facilities, equipment, technology or other assets for baggage security, processing, transportation, storage or similar baggage-related activities at the Airport.

"Balloon Bonds" means Current Interest Paying Bonds of a series, twenty-five percent (25%) or more of the original principal of which matures during any one Fiscal Year, if such maturing principal amount is not required to be amortized below such percentage by (a) a Mandatory Redemption Requirement prior to such Fiscal Year, or (b) deposits into the Bond Fund which are required to be applied to the payment of such principal. Tender Option Bonds shall not be treated as Balloon Bonds solely by virtue of the option on the part of the Holders thereof to have such Bonds purchased prior to their respective maturities.

"Bank" means (a) a banking institution whose senior long-term debt obligations are rated by a Credit Rating Agency, at the time of the delivery of a Letter of Credit or a Standby Bond Purchase Agreement, in one of its three highest Rating Categories, or (b) a banking institution owned or controlled by a bank holding company whose senior long-term debt obligations are rated by a

Credit Rating Agency, at the time of the delivery of a Letter of Credit or a Standby Bond Purchase Agreement, in one of its three highest Rating Categories.

"Base Rate" means that rate announced by the Trustee, or by an affiliate of the Trustee (the "Affiliated Bank"), from time to time as its prime rate and is one of several interest rate bases used by the Trustee or the Affiliated Bank, as the case may be. The Trustee and the Affiliated Bank each lends at rates both above and below its prime rate, and the Authority acknowledges that the Trustee's and the Affiliated Bank's prime rate is not represented or intended to be the lowest or most favorable rate of interest offered by the Trustee or by the Affiliated Bank, respectively.

"Bond Counsel" means Independent Counsel (or firm thereof) whose opinions respecting the legality or validity of securities issued by or on behalf of states or political subdivisions thereof are nationally recognized.

"Bond Fund" means the Bond Principal and Interest Fund created in Section 10.2 hereof.

"Bond Insurer" means any insurance company, bank, financial institution or other entity insuring payment of municipal bonds and other similar obligations if, with respect to the issuance of a Municipal Bond Insurance Policy, such insurance company, bank, financial institution or other entity is eligible for a rating by a Credit Rating Agency, at the time of the delivery of the Municipal Bond Insurance Policy, in one of its three highest Rating Categories.

"Bondholder" means the Holder of a Bond.

"Bonds" means those bonds issued hereunder and, any provisions herein to the contrary notwithstanding, when used in connection with parity debt obligations issued under the provisions of Article VIII hereof, means and includes debt obligations in whatever form at such time as may be authorized under the applicable laws of the State of Alabama.

"Business Day" means any day other than a Saturday, a Sunday, a day on which the offices of the Trustee are closed or a day on which the wire transfer system of the Federal Reserve System is not operational.

"Callable Bonds" means those of the Bonds which under the terms thereof may be redeemed prior to their respective maturities.

"Capital Appreciation Bonds" means any of the Bonds that provide for the addition to the principal due thereon of all or any part of the accrued and unpaid interest thereon.

"Capital Improvements" means improvements, extensions and additions to the Airport Facilities that are properly chargeable to fixed capital account by generally accepted accounting principles for airports consistently applied and

includes real estate (and easements and other interests therein) on, under or over which any such improvements, extensions or additions are, or are proposed to be, located.

"CFC Charges" means collections by the Airport of the customer facility charge authorized by resolution of the Directors on November 19, 2012, as from time to time amended, and imposed by rental car agencies operating at on in connection with the Airport and remitted to the Authority.

"Code" means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder by the United States Treasury Department.

"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 been issued in accordance with the provisions hereof, 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 conformance with the documents pursuant to which such Bonds theretofore issued were originally issued.

"Compounded Amount" means, for any date with respect to a Capital Appreciation Bond, the amount set forth in the Supplemental Indenture pursuant to which such Capital Appreciation Bond is issued as the Compounded Amount for such Bond on such date.

"Credit Facility" means a Letter of Credit, a Standby Bond Purchase Agreement, a Municipal Bond Insurance Policy or other credit facility guaranteeing or providing for the payment of (1) all or any portion of the principal of or the interest on any Bonds, (2) all or any portion of the Redemption Price of any Bonds, or (3) the purchase price of any Tender Option Bonds or a portion thereof.

"Credit Facility Fees" means the initial, annual, semi-annual, quarterly or periodic fees and expenses charged to the Authority by a Credit Facility Obligor for issuing and maintaining in effect a Credit Facility; provided, however, that the term "Credit Facility Fees" shall not include any fees or expenses paid out of the proceeds from the issuance of any of the Bonds.

"Credit Facility Obligor" means (a) a Bank or a Bond Insurer issuing a Credit Facility, or (b) a Bank or a Bond Insurer issuing a Reserve Fund Credit Facility.

"Credit Rating Agency" means a nationally recognized statistical rating organization as recognized by the U.S. Securities and Exchange Commission.

"Current Interest Paying Bonds" means those of the Bonds that are not Capital Appreciation Bonds.

"Designated Grant Funds" shall mean such amount of grant funds received by the Authority, whether pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act (H.R. 748, Public Law 116-136), or otherwise, and which are used to pay operating expenses or debt service of the Authority, which the President and CEO or the Vice President of Finance of the Authority designates in a Designated Grant Fund Certificate delivered to the Trustee as being deemed by the Authority as Revenues for purposes of this Indenture.

"Directors" means the governing body of the Authority.

"Eligible Investments" means (a) Federal Securities, (b) money market funds whose investments are restricted to Federal Securities, (c) certificates of deposit or other interest-bearing deposits of a bank (including Trustee) which is a member of the Federal Reserve System, provided that such certificates of deposit or other interest-bearing deposits, to the extent not insured, are fully secured by Federal Securities, (d) securities representing an undivided beneficial interest in identified payments to be made on Federal Securities, and (e) any other investments permitted to be made by the Authority pursuant to the Authorizing Statute or as otherwise permitted under Alabama law.

"Eminent Domain" when used herein with reference to any taking of property, means the power (actual or claimed) of any governmental authority or person acting under governmental authority (actual or claimed) to take such property, and for purposes of this Indenture, a taking of property under the exercise of the power of Eminent Domain shall include a conveyance made, or a use granted or taken, under either the threat or the fact of the exercise of governmental authority.

"EMMA System" means the Electronic Municipal Market Access system established by the Municipal Securities Rulemaking Board, or any public repository created in substitution or replacement thereof.

"Escrow Trust Agreement" means that certain Escrow Trust Agreement dated the date of the Series 2020 Bonds between the Authority and the Escrow Trustee pertaining to the redemption and payment of the Series 2010 Bonds.

"Escrow Trustee" means Synovus Bank, a Georgia banking corporation, and its successors and permitted assigns as provided in the Escrow Trust Agreement and includes any corporation or other legal entity resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"Excluded Funds" means all proceeds or funds collected from any of the following:

- (i) per passenger taxes or fees collected at the Airport Facilities;

(ii) rental charged by the Authority for the land upon which a Special Purpose Facility is constructed, and, 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;

(iii) rental charged by the Authority for the land upon which a Maintenance/Manufacturing Facility is constructed, and, 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 Maintenance/Manufacturing Facilities;

(iv) PFC Monies;

(v) proceeds or other collections by the Airport from the imposition of CFC Charges;

(vi) proceeds or collections from the imposition of any Baggage Facility Fees imposed at the Airport; and

(vii) any other taxes, fees, charges or impositions, the proceeds of which are limited by authorizing law to the construction of Capital Improvements 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.

"Federal Securities" means (a) any securities that are direct obligations of the United States of America, and (b) any securities with respect to which payment of the principal thereof and the interest thereon is unconditionally guaranteed by the United States of America.

"Fiscal Year" means the period beginning on July 1 of a calendar year and ending on June 30 of the next succeeding calendar year, unless the fiscal year of the Authority is changed in which case it means the period beginning on the first day of the first month of such year and ending on the last day of the month immediately preceding such first month.

"Holder" means the person in whose name a Bond is registered on the books of the Trustee pertaining to the Bonds.

"Indenture" means, collectively, this instrument and every Supplemental Indenture.

"Independent 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

from time to time under this Indenture and not employed full time by the Authority.

"Independent Auditor" means a certified public accountant, or firm thereof, not employed full time by the Authority and regularly engaged in the auditing of financial records.

"Independent Counsel" means an attorney who is duly licensed to practice before the Supreme Court of Alabama and who is not employed full time by the Authority.

"Independent Financial Advisor" means an investment banking or financial advisory firm, commercial bank, or any other person not employed by the Authority who is appointed by the Authority for the purpose of passing on questions relating to the availability and terms of specified types of securities and who is actively engaged in and, in the good faith opinion of the Authority, has a favorable reputation for skill and experience in underwriting or providing financial advisory services in respect of similar types of securities and is registered as a "municipal advisor" with the U.S. Securities and Exchange Commission.

"Insurance Consultant" mean an independent insurance consultant or insurance consulting firm regularly engaged in the business of insurance consulting.

"Interest Payment Date" means (a) with respect to the Series 2020 Bonds, each January 1 and July 1, commencing January 1, 2021, and (b) with respect to any series of Additional Bonds, any date specified in the Supplemental Indenture pursuant to which such series of Additional Bonds is issued as a date on which interest is to be paid on such series of Additional Bonds.

"Letter of Credit" means an irrevocable letter of credit issued by a Bank with respect to (a) the payment of (1) all or any portion of the principal of or the interest on any Bonds, (2) all or any portion of the Redemption Price of any Bonds, or (3) the purchase price of any Tender Option Bonds or a portion thereof, or (b) the payment to the Trustee of a sum of money to be deposited into the Reserve Fund.

"Maintenance/Manufacturing Facility" or **"Maintenance/Manufacturing Facilities"** shall mean, for any period, a facility or facilities constructed for refurbishment, repair or maintenance of aircraft or for the manufacturing of aircraft, aircraft components or related aviation products.

"Mandatory Redemption Requirement" means (a) with respect to the Series 2020 Bonds, the provisions of Section 7.2(b) hereof, and (b) with respect to any series of Additional Bonds, any provisions that may be set forth in such Additional Bonds or in the Supplemental Indenture authorizing the issuance of such Additional Bonds, for mandatory redemption of any Additional Bonds at a

Redemption Price equal to the principal amount thereof, plus accrued interest to the Redemption Date.

"Maturity Amount" means the aggregate principal and interest due and payable at maturity with respect to the Capital Appreciation Bonds.

"Maximum Annual Debt Service Requirement" means, as of any date of determination, the maximum Annual Debt Service Requirement during the then current or any then succeeding Fiscal Year.

"Municipal Bond Insurance Policy" means a policy of municipal bond insurance issued by a Bond Insurer with respect to (a) the payment of (1) all or any portion of the principal of or the interest on any Bonds, (2) all or any portion of the Redemption Price of any Bonds, or (3) the purchase price of any Tender Option Bonds or a portion thereof, or (b) the payment to the Trustee of a sum of money to be deposited into the Reserve Fund.

"Net Condemnation Awards" 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) incurred in negotiated with the condemning authority, less (iii) all expenses incurred in connection with the receipt of such awards or compensation, including attorneys' fees and expenses relating to such administrative or judicial proceedings and to such settlement negotiations; provided, such amounts received shall not include those received respecting Special Purpose Facilities, Maintenance/Manufacturing Facilities or facilities constituting a discrete portion of the Airport Facilities financed by revenues other than Revenues and Net Revenues.

"Net Insurance Proceeds" means the total insurance proceeds recovered by the Authority on account of any damages 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; provided, such amounts recovered shall not include those recovered respecting Special Purpose Facilities, Maintenance/Manufacturing Facilities or facilities constituting a discrete portion of the Airport Facilities financed by revenues other than Revenues and Net Revenues.

"Net Revenues" for any period means Revenues for such period less the amount of Operating Expenses for such period.

"Operating Expenses" means the Authority's current expenses for the operation, maintenance and repair of the Airport as determined in accordance with generally accepted accounting principles for airports consistently applied,

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, (f) insurance expenses, (g) engineering expenses relating to the operation, maintenance or repair of the Airport, (h) fees and expenses of the Trustee, legal expenses, Credit Facility Fees, and fees of consultants, (i) any other charges herein expressly stated to constitute an Operating Expense, and (j) any other expenses required to be paid by the Authority under this Indenture or by law, but Operating Expenses shall not include (1) any reserves for extraordinary replacements or repairs, (2) any allowance for depreciation or amortization, (3) any interest (other than interest on Working Capital Indebtedness), (4) any payments made by the Authority pursuant to Section 3.03 of the Airport Lease, (5) any principal payment in respect of the Bonds or capital leases or indebtedness (other than Working Capital Indebtedness), or, (6) any deposits to any fund or account created under this Indenture and payments of principal, premium, if any, and interest from such funds and accounts.

"outstanding" or **"outstanding hereunder"** or **"outstanding under this Indenture"**, when used with reference to the Bonds, shall mean, as of any particular time, all Bonds authenticated and delivered under this Indenture, except (a) Bonds cancelled at or prior to the particular time; (b) Bonds deemed paid as provided in Section 16.1 hereof; and (c) Bonds in lieu of, or in substitution for, which other Bonds shall have been authenticated and delivered pursuant to the provisions of Section 4.4 hereof.

"Outstanding Amount" means, as of any date of determination, the sum of (a) the outstanding principal amount of the outstanding Bonds issued in the form of Current Interest Paying Bonds, and (b) the then applicable Compounded Amount of the outstanding Bonds issued in the form of Capital Appreciation Bonds.

"Overdue Interest" means interest due but not paid on the Interest Payment Date on which such interest is required to be paid.

"Overdue Interest Payment Date" means the date fixed by the Trustee, pursuant to the provisions of Section 5.2 hereof, for the payment of Overdue Interest.

"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 initial delivery of the 1990 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

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

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

"PFC Act" means 49 U.S.C. Section 40117, as amended from time to time, and the regulations thereunder including Title 14 of the Code of Federal Regulations, Part 158.

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

"PFCs" means the passenger facility charge (currently \$4.50) imposed by the Authority at the Airport Facilities pursuant to the PFC Act, as approved by the Federal Aviation Administration.

"Policy" shall have the meaning given to such term in Section 17.1 hereof.

"Principal Payment Date" means (a) with respect to the Series 2020 Bonds, any date specified in Section 7.1 hereof for the payment of principal on such Bonds at maturity and any date specified in Section 7.2(b) hereof for the payment of principal on such Bonds upon the mandatory redemption thereof, and

(b) with respect to any series of Additional Bonds, any date specified in the Supplemental Indenture pertaining to such Additional Bonds as a date for payment of principal of such Additional Bonds at maturity or upon the mandatory redemption thereof.

"Qualified Self Insurance" means (i) insurance maintained through a program of self-insurance, or (ii) 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.

"Rating Category" or **"Rating Categories"** means (a) with respect to any long-term rating category, all ratings designated by a particular letter or combination of letters, without regard to any numerical modifier, plus or minus sign or other modifier, and (b) with respect to any short-term or commercial paper rating category, all ratings designated by a particular letter or combination of letters and taking into account any numerical modifier, but not any plus or minus sign or other modifier.

"Record Date" means (a) with respect to the Series 2020 Bonds, the December 15 or June 15, as the case may be, next preceding an Interest Payment Date, and (b) with respect to any series of Additional Bonds, the dates specified or determined in accordance with the Supplemental Indenture pursuant to which such Additional Bonds are issued.

"Redemption Date" means the date fixed for redemption of Callable Bonds in any notice of redemption.

"Redemption Price" means the price at which the Callable Bonds called for redemption may be redeemed on the Redemption Date.

"Reimbursement Obligation" means (a) an obligation on the part of the Authority to reimburse a Credit Facility Obligor for amounts paid by such Credit Facility Obligor with respect to the principal of or the interest or premium, if any, on the Bonds under the terms of a Credit Facility, together with interest thereon, or (b) an obligation on the part of the Authority to reimburse a Credit Facility Obligor for amounts paid by such Credit Facility Obligor with respect to payments to the Trustee of a sum of money to be deposited into the Reserve Fund under the terms of a Reserve Fund Credit Facility, together with interest thereon; provided, however, that Credit Facility Fees shall not be included in calculating the amount of a Reimbursement Obligation.

"Released Revenues" means Revenues of the Authority in respect of which the Trustee has received the following:

(a) a request of an Authorized Authority Representative describing such Revenues and requesting that such Revenues be excluded from the pledge and lien of this Indenture on Net Revenues;

(b) either

(i) an Independent Airport Consultant's report to the effect that, based upon reasonable assumptions, if Revenues covered by the Authorized Authority Representative's request are excluded, the requirements of Section 11.4(a) (if modified, solely for purposes of this definition, by substituting 150% for 125% in clause (ii) of Section 11.4(a)) will be projected to be satisfied for the Fiscal Year in which such report is delivered and for each of the three full Fiscal Years following the Fiscal Year in which such report is delivered; or

(ii) an Independent Auditor's certificate to the effect that, if Revenues covered by the Authorized Authority Representative's request are excluded, for each of the two most recently completed Fiscal Years for which audited financial statements are then available, the sum of (x) the Net Revenues for each such Fiscal Year (without taking into account any moneys included in Net Revenues solely by virtue of clause (b) of the definition of Revenues), and (y) the aggregate amount of moneys other than Revenues deposited into the Bond Fund during each such Fiscal Year (including PFC Monies, if any, deposited into the Bond Fund pursuant to Section 9.1) was not less than 125% of the Maximum Annual Debt Service Requirement during the then current Fiscal Year or any then succeeding Fiscal Year with respect to the then outstanding Bonds;

(c) an opinion of Bond Counsel to the effect that (i) the conditions set forth herein to the release of such Revenues have been met and (ii) the exclusion of such Revenues from the pledge and lien of this Indenture will not, in and of itself, cause the interest income on any of the Bonds issued as tax-exempt Bonds under the Code to become includable in gross income of the recipients thereof for federal income tax purposes;

(d) written confirmation from each Credit Rating Agency rating the Bonds to the effect that the exclusion of such Revenues from the pledge and lien of this Indenture will not cause a withdrawal of or reduction in any unenhanced rating then assigned to the Bonds; and

(e) evidence that notice of the proposed Released Revenues was given to all current Credit Facility Obligors in respect of any of the Bonds at least 15 days prior to the proposed effective date of the release of such Revenues.

Upon the Trustee's receipt of such documents, the Revenues described in the Authorized Authority Representative's request shall be excluded from the pledge and lien of this Indenture, and the Trustee shall take all reasonable steps requested by the Authorized Authority Representative to evidence or confirm the release of such pledge and lien on the Released Revenues.

"Reserve Fund" means that certain fund created in Section 10.3 of this Indenture.

"Reserve Fund Credit Facility" means (a) a Letter of Credit, or (b) a Municipal Bond Insurance Policy, providing, in either case, for the payment to the Trustee of a sum of money to be deposited into the Reserve Fund.

"Reserve Fund Policy" shall have the meaning given to such term in Section 17.2 hereof.

"Reserve Fund Requirement" means, with respect to the Series 2020 Bonds and any Additional Bonds hereafter issued that are, pursuant to the Supplemental Indenture under which they are issued, to be secured by amounts in the Reserve Fund, an amount equal to the lesser of (i) 125 percent of the Average Annual Debt Service on all Bonds at the time outstanding and secured by the Reserve Fund, (ii) the Maximum Annual Debt Service Requirement on all Bonds at the time outstanding and secured by the Reserve Fund, or (iii) 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.

"Responsible Officer" means, when used with respect to the Trustee, any vice president, assistant vice president, senior associate or other officer of the Trustee having direct responsibility for the administration of this Indenture.

"Revenue Account" means the Airport Facilities Revenue Account referred to in Section 10.1 hereof.

"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 including business interruption insurance and all investment income from funds and accounts established under this Indenture and deposited in the Revenue Account; and (b) amounts which the Authority is authorized, but not obligated, to pay or transfer to the Revenue Account to the extent of any such payments or transfers, which amounts shall become Revenues only at the time of payment or transfer to the Revenue Account; provided, however, that for any given Fiscal Year the amount that may be included in Revenues pursuant to this clause (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 this Indenture (but notwithstanding anything to the contrary set forth in the last sentence of Section 11.4, in calculating such 25% limitation, the aggregate amount required to be deposited into the Bond Fund during such Fiscal Year shall not be reduced by the amount of any PFC Monies

transferred from the PFC Account to the Bond Fund during such Fiscal Year); provided, further, that there shall be excluded from the meaning of "Revenues", except to the extent transferred to the Revenue Account pursuant to the immediately preceding clause (b), the following:

- (i) any gifts, grants (other than Designated Grant Funds), bequests, contributions or donations;
- (ii) proceeds from the sale and disposition of all or any part of the Airport Facilities;
- (iii) any Net Insurance Proceeds or Net Condemnation Awards;
- (iv) the proceeds of any indebtedness; and
- (v) all Excluded Funds.

Unless otherwise provided in a Supplemental Indenture, there shall also be excluded from the term "Revenues" any Released Revenues in respect of which the Authority has filed with the Trustee the request of the Authorized Authority Representative, the Independent Airport Consultant's report or the Independent Auditor's certificate, the opinion of Bond Counsel and the other documents contemplated in the definition of the term "Released Revenues."

"Series 2010 Bonds" means the Airport Revenue Bonds, Series 2010 (Non-AMT), originally issued by the Authority in the aggregate principal amount of \$151,705,000.

"Series 2010 Bonds Escrow Fund" means that certain fund entitled "Birmingham Airport Authority 2010 Revenue Bonds Escrow Fund" created in the Escrow Agreement.

"Series 2020 Bonds" means those of the Bonds bearing the designation "Series 2020."

"Special Purpose Facility" or **"Special Purpose Facilities"** means any capital improvements or facilities acquired or constructed by the Authority from the proceeds of obligations issued by the Authority pursuant to Section 11.11 hereof, but only for so long as any of such obligations (including without limitation refunding obligations) remain outstanding.

"Standby Bond Purchase Agreement" means a standby bond purchase agreement or similar agreement entered into by the Authority with a Bank whereby the Bank agrees, subject to certain terms and conditions set forth therein, to pay the purchase price of any Tender Option Bonds or a portion thereof.

"Supplemental Indenture" means any instrument hereafter entered into between the Authority and the Trustee supplementing, modifying or amending this instrument or another Supplemental Indenture.

"Tender Option Bonds" means Bonds that are required to be purchased on behalf of the Authority, at the option of the Holders thereof, prior to their respective maturities; provided, however, that if no such option is thereafter exercisable, such Bond shall no longer be considered a "Tender Option Bond."

"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.

"Trustee" means the party of the second part hereto and its successors and permitted assigns as provided herein and includes any corporation or other legal entity resulting from or surviving any consolidation or merger to which it or its successors may be a party.

"Variable Rate Bond" means Bonds that bear interest at a rate per annum which is subject to adjustment so that the actual rate of interest is not ascertainable at the time such Bonds are issued; provided, however, that upon the conversion of the rate of interest on a Variable Rate Bond to a fixed rate of interest (whether or not the interest rate on such Bond is subject to conversion back to a variable rate of interest), such Bond shall be considered a "Fixed Rate Bond" for so long as such Bond bears interest at a fixed rate.

"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 Operating Expenses.

"1990 Indenture" means that certain Trust Indenture dated as of June 1, 1990, between the Authority and the 1990 Indenture Trustee, pursuant to which the Series 2010 Bonds were issued.

"1990 Indenture Trustee" means Synovus Bank, as successor trustee under the 1990 Indenture.

Section 1.2 Use of Phrases. "Herein," "hereby," "hereunder," "hereof," "hereinbefore," "hereinafter" and other equivalent words refer to the Indenture as an entirety and not solely to the particular portion thereof in which any such word is used. The definitions set forth in Section 1.1 hereof include both singular and plural. Whenever used herein, any pronoun shall be deemed to include both singular and plural and to cover all genders.

ARTICLE II
SOURCE OF PAYMENT OF BONDS
AND
PLEDGE AND SEVERANCE OF
REVENUES

Section 2.1 Source of Payment of Bonds and Pledge of Net Revenues. The principal of and interest (and premium, if any) on the Bonds shall be payable solely from Net Revenues and, if and to the extent applicable, moneys other than Net Revenues deposited into the Bond Fund. In order to secure to the Holders thereof payment of the principal of and the interest (and premium, if any) on the Bonds and the performance and observance of the covenants and conditions therein and herein contained, and in consideration of their purchase and acceptance of the Bonds and the acceptance by the Trustee of the trusts herein provided, the Authority has pledged and does hereby pledge with the Trustee the Net Revenues to be derived from the operation of the Airport Facilities for payment of the principal of and interest (and premium, if any) on the Bonds and for making the payments into the special funds created herein, together with all special funds so created, and all moneys and investments held or on deposit in said funds, all to the extent hereinafter provided. The aforesaid pledge is made for the equal and pro rata protection and benefit of the Holders, present and future, of the Bonds, without preference or priority of one over another by reason of priority in issuance or acquisition or otherwise, as if all the Bonds at any time outstanding hereunder had been executed, sold, authenticated, delivered and negotiated simultaneously with the execution and delivery hereof. The Authority warrants and represents that upon the issuance of the Series 2020 Bonds, it will have no outstanding securities for the payment of which it has pledged the Net Revenues to be derived from the operation of the Airport Facilities other than the Series 2020 Bonds.

Section 2.2 Severance of Revenues. In order to safeguard the aforesaid pledge and the performance and observance of the agreements and covenants of the Authority herein contained, the Authority does hereby declare its intention that the Revenues derived from the operation of the Airport Facilities shall be and the same hereby are severed from the physical properties composing the Airport Facilities to such extent as shall be necessary to fulfill and preserve inviolate the said pledge and to fulfill the said agreements and covenants.

ARTICLE III

ISSUANCE OF BONDS IN SERIES

Section 3.1 Issuance of Bonds in Series. The Bonds may be issued in different series, and each Bond shall have an appropriate series designation. All the Bonds shall be equally and ratably secured by the Indenture and by the pledges herein contained, it being expressly understood and agreed that no Bonds issued hereunder shall be prior to any other Bonds thereafter issued hereunder, but shall be on a parity therewith, with respect both to the provisions of the Indenture and to said pledges; provided, however, that nothing herein contained shall be construed to prevent the Authority from (i) providing for the sole benefit of any series of Bonds or a portion of such series, separate or special security in the form of a Credit Facility or other credit or liquidity enhancement without providing the same or similar security for other Bonds therefore or thereafter issued under the Indenture, or (ii) providing that only specified series of Bonds are to be secured by the Reserve Fund.

Section 3.2 General Provisions Respecting Bonds. Each series of the Bonds shall bear such date or dates and shall mature on such dates and in such amounts as shall be specified in the Indenture or Supplemental Indenture providing therefor. Interest on the Bonds of each series (other than the Capital Appreciation Bonds) shall be payable, at such per annum rate or rates as shall be fixed therefor prior to their issuance on the dates set forth in the Indenture or Supplemental Indenture under which they are issued. The principal of and the premium, if any, on the Bonds and the Maturity Amount of the Capital Appreciation Bonds shall be payable in lawful money of the United States of America at the corporate trust office of the Trustee upon presentation and surrender of the Bonds as they become due and payable. With respect to each series of Bonds, interest on the Bonds shall, except in the case of Capital Appreciation Bonds or as otherwise provided in Section 5.2 hereof, be paid by check or draft mailed by the Trustee on the Interest Payment Date referable to such series to the respective Holders thereof at their addresses as they appear on the registry books of the Trustee pertaining to the registration of the Bonds as of the close of business on the Record Date; provided, however, (a) that any Holder of not less than \$500,000 in principal amount of the Series 2020 Bonds then outstanding may make arrangements with the Trustee for the payment of interest thereon and the principal and premium, if any, payable upon any partial redemption thereof, by wire transfer, and (b) that the Supplemental Indenture authorizing the issuance of any series of Additional Bonds may contain similar provisions for the payment of interest, principal or premium on such series of Additional Bonds. Any principal, interest, premium or Maturity Amount with respect to any Bond that becomes due on a day other than a Business Day shall be payable on the next succeeding Business Day and no interest shall accrue in the interim.

Section 3.3 Form of Bonds, Etc. The Series 2020 Bonds and various certificates and assignments applicable thereto shall be in substantially the forms respectively provided therefor in Section 7.3 hereof. The Bonds of each series of Additional Bonds and various certificates and assignments applicable thereto shall be in substantially the forms respectively provided therefor in the Supplemental Indenture providing therefor, which shall in general be similar to the corresponding forms applicable to the Series 2020 Bonds, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof and such Supplemental Indenture.

ARTICLE IV

EXECUTION AND AUTHENTICATION OF THE BONDS

Section 4.1 Execution of Bonds. The Bonds shall be executed on behalf of the Authority with a manual or facsimile signature of the Chairman or Vice Chairman of the Directors and attested by a manual or facsimile signature of the Secretary or Assistant Secretary of the Authority. The seal of the Authority shall be imprinted or reproduced in facsimile on each of the Bonds. Signatures on the Bonds by persons who were officers of the Authority at the time such signatures were written or printed shall continue effective although such persons cease to be such officers prior to the authentication of the Bonds or the delivery of the Bonds.

Section 4.2 Authentication Certificate of Trustee. A duly and manually executed authentication certificate by the Trustee in substantially the applicable form hereinafter recited shall be endorsed on each of the Bonds and shall be essential to its validity. Such certificate shall be conclusive of the due issue of such Bond hereunder.

Section 4.3 Accrual of Interest on Bonds. With respect to each series of Bonds, each Bond (other than a Capital Appreciation Bond) issued hereunder (including, without limitation, those issued pursuant to the provisions of Section 4.4, 5.1, 5.4 or 6.2 hereof) shall bear interest from the Interest Payment Date referable to such series next preceding the date of its authentication by the Trustee unless (1) such date of authentication is an Interest Payment Date for such series, in which event such Bond shall bear interest from the date of its authentication, (2) at the time of such authentication the Authority is in default in the payment of interest on the Bond in lieu of which such new Bond is issued, in which event such new Bond shall bear interest from the last Interest Payment Date referable to such series to which interest has previously been paid or made available for payment on the Bond in lieu of which such new Bond is issued, or (3) such Bond is issued prior to the first Interest Payment Date with respect to the series of Bonds evidenced in whole or in part thereby, in which event such Bond shall bear interest from the date of issuance of the Bonds of that series. All Capital Appreciation Bonds shall be dated and bear interest from the date of authentication and delivery thereof to the initial purchasers thereof. The preceding provisions shall be construed to the end that the issuance of a Bond shall not effect any gain or loss of interest to the Holder thereof.

Section 4.4 Replacement of Mutilated, Lost, Stolen or Destroyed Bonds. In the event any Bond is mutilated, lost, stolen or destroyed, the Authority may execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor as that mutilated, lost, stolen or destroyed; provided that (a) in the case of any such mutilated Bond, such Bond is first surrendered to the Authority and the Trustee, and (b) in the case of any such lost, stolen or destroyed Bond, there is first furnished to the Authority and the Trustee evidence of such loss, theft or destruction satisfactory to each of them, together with indemnity satisfactory to each of them. The Authority may charge the Holder with the expense of issuing any such new Bond.

ARTICLE V

REGISTRATION AND TRANSFERS OF THE BONDS

Section 5.1 Registration and Transfer of Bonds. The Trustee shall be the registrar and transfer agent of the Authority and shall keep at its office proper registry and transfer books in which it will note the registration and transfer of the Bonds, all in the manner and to the extent hereinafter specified.

All Bonds shall be registered as to both principal and interest by the Trustee as registrar and transfer agent for the Authority and shall be transferable only on the transfer books of the Trustee. No transfer of a Bond shall be valid hereunder unless such Bond is presented at the office of the Trustee with written power to transfer signed by the registered owner thereof in person or by duly authorized attorney, properly stamped if required, in form and with guaranty of signature satisfactory to the Trustee, whereupon the Authority shall execute, and the Trustee shall authenticate and deliver to the transferee, a new Bond, registered in the name of such transferee and of like tenor as that presented for transfer. The person in whose name a Bond is registered on the books of the Trustee shall be the sole person to whom or on whose order payments on account of the principal thereof and of the interest (and premium, if any) thereon may be made.

Section 5.2 Persons to Whom Payment of Interest on Bonds is to be Made. With respect to each series of Current Interest Paying Bonds, interest thereon shall, except as provided in Section 3.2 hereof and in the next succeeding paragraph of this Section 5.2, and except as may be provided otherwise by Supplemental Indenture with respect to any series of Additional Bonds, be payable in lawful money of the United States of America by check or draft mailed by the Trustee to the registered Holders of the Bonds of such series as of the close of business on the Record Date next preceding the Interest Payment Date referable to such series at the address shown on the registry books of the Trustee pertaining to the Bonds. Each Holder of any of the Bonds takes such Bonds subject to all payments of interest in fact made with respect thereto.

Any provision hereof to the contrary notwithstanding, Overdue Interest shall not be payable to the Holder of the Bonds of any particular series solely by reason of such Holder having been the Holder on the Record Date next preceding the Interest Payment Date on which such interest became due and payable, but shall be payable by the Trustee as follows:

(a) Not less than ten (10) days following receipt by the Trustee of immediately available funds in an amount sufficient to enable the Trustee to pay all Overdue Interest, the Trustee shall fix an Overdue Interest Payment Date for payment of such Overdue Interest.

(b) Such Overdue Interest Payment Date fixed by the Trustee shall be a date not more than twenty (20) days following the expiration of the period described in the foregoing subparagraph (a).

(c) Overdue Interest shall be paid by check or draft mailed by the Trustee to the persons in whose names the Bonds of the particular series in question were registered on the Overdue Interest Payment Date. Payment of Overdue Interest in the manner prescribed in this paragraph to the persons in whose names the Bonds of the particular series in question were registered on the Overdue Interest Payment Date shall fully discharge and satisfy all liability for the same.

Section 5.3 Persons Deemed Owners of Bonds. The Authority and the Trustee may deem and treat the person in whose name a Bond is registered as the absolute owner thereof for all purposes; they shall not be affected by notice to the contrary; and all payments by either of them to the person in whose name a Bond is registered shall to the extent thereof fully discharge and satisfy all liability for the same.

Section 5.4 Exchange of Bonds. Upon the request of the Holder of one or more Bonds, the Authority shall execute, and the Trustee shall thereupon authenticate and deliver, upon surrender to the Trustee of such Bond or Bonds and in exchange therefor, other Bonds in different Authorized Denominations of like tenor, having the same stated maturity and interest rate and together aggregating the same principal amount as the then unpaid principal amount of the Bond or Bonds so surrendered, as may be requested by the person surrendering such Bond or Bonds. Any Bonds surrendered for exchange pursuant to the provisions of this Section 5.4 shall be accompanied by a written power to transfer signed by the registered owner thereof in person or by duly authorized attorney, properly stamped if required, in form and with guaranty of signature satisfactory to the Trustee.

Section 5.5 Expenses of Registration and Transfer. Any transfer, registration or exchange of any of the Bonds provided for in this Indenture shall be made without charge to the Holders; provided, however, that in every case involving any transfer, registration or exchange of any of the Bonds that is requested by the Holder thereof, such Holder shall pay all taxes and other governmental charges required to be paid in connection with such transfer, registration or exchange.

Section 5.6 Time Limits on Registration, Transfer or Exchange. If any Bond is duly called for redemption (in whole or in part), the Trustee shall not be required to register, transfer or exchange such Bond during the period of forty-five (45) days next preceding the Redemption Date.

Section 5.7 Provisions Respecting Registration of Bonds to Comply with Provisions of Code. The Authority and the Trustee recognize that the provisions of the Code now require that the Bonds issued as tax-exempt Bonds be in "registered form", and that, in general, each tax-exempt Bond must be registered as to both principal and interest and any transfer of any tax-exempt Bond must be effected only by the surrender of the old Bond and either by the reissuance of the old Bond to a new Holder or the issuance of a new Bond to a new Holder. The Trustee may conclusively rely upon an opinion of Bond Counsel with respect to any question which may arise pertaining to the transfer, exchange or reissuance of Bonds. The provisions of this Indenture pertaining to transfer, registration, exchange or reissuance of Bonds need not or shall not be followed if the Trustee receives an opinion of Bond Counsel that compliance with requirements in addition to or in lieu of the requirements of this Indenture

pertaining to such transfer, registration, exchange or reissuance is required or permitted under the provisions of the Code, or under other applicable laws and regulations.

Section 5.8 Denominations and Registration of Bonds as Initially Issued. The Bonds of each maturity shall be initially issued in Authorized Denominations as requested by the purchaser and registered in the names of the persons specified by the initial purchaser of the Bonds from the Authority. If, for any reason, the Trustee is unable to prepare or cause to be prepared Bonds in the Authorized Denominations requested by the purchaser and registered in the names of the persons specified by the purchaser, the Authority may deliver one Bond for each maturity in the principal amount of such maturity, each registered in the name of the initial purchaser of the Bonds from the Authority.

Section 5.9 Notations on Bonds by Trustee. The Trustee is hereby authorized to cause numbers or other notations to be printed or otherwise placed on the Bonds for the convenience of the Trustee in performing the registration and other duties imposed on it hereunder. Any such numbers or other notations that may appear on the Bonds and that are not specifically herein provided for shall be for the sole convenience of the Trustee and, insofar as the Authority is concerned, shall not be construed as conferring any rights on the Holders of the Bonds.

ARTICLE VI

GENERAL PROVISIONS RESPECTING REDEMPTION OF CALLABLE BONDS

Section 6.1 Manner of Effecting Redemption of Callable Bonds. Any redemption of any Callable Bonds of any series shall be effected in the following manner:

(a) **Call.** The Directors shall adopt a Resolution containing the following: (1) a call for redemption, on a specified date when they are by their terms subject to redemption, of Callable Bonds (or portion thereof) in Authorized Denominations and bearing a stated series designation or designations; (2) unless all the Bonds then outstanding are to be redeemed (or unless a portion of all such outstanding 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 (3) a summary of all applicable restrictions upon or conditions precedent to such redemption and the provisions made to comply therewith; provided, however, that it shall not be necessary for the Directors to adopt any such Resolution in the case of any redemption of Callable Bonds of any series of Bonds if the redemption is one that is required by a Mandatory Redemption Requirement or is one that is otherwise mandatorily required or if, in the Supplemental Indenture providing for such series of Additional Bonds, the adoption of such Resolution is expressly stated to be unnecessary.

(b) **Notice by First-Class Mail.** The Trustee (on behalf of the Authority) shall cause to be forwarded by United States First-Class Mail to the Holder, at the address of such Holder as such address appears on the registry books of the Trustee pertaining to the registration of the Bonds, a notice stating the following: that Callable Bonds bearing a stated series designation or designations have been called for redemption and will become due and payable at the Redemption Price or Redemption Prices on a specified Redemption Date, and that all interest thereon will cease after the Redemption Date. Such notice of redemption shall also state the date of such notice, the date of issue of such series of Bonds called for redemption, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the CUSIP number (if any) of the maturity or maturities called for redemption, and, if less than all of any such maturity is called for redemption, the distinctive certificate numbers of the Bonds of such maturity to be redeemed, and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Such notice shall be so mailed not more than sixty (60) nor less than thirty (30) days prior to the Redemption Date, but Holders of any Bonds may waive the requirements of this subsection with respect to the Bonds held by them without affecting the validity of the call for redemption of any other Callable Bonds. Such notice may be conditioned upon the receipt of funds sufficient for payment of the Callable Bonds on the Redemption Date.

(c) **Deposit.** On or before the Redemption Date the Authority shall deposit or cause to be deposited with the Trustee the total Redemption Price of the Callable Bonds (or portions thereof) so called for redemption, and the Authority shall further furnish or cause to be furnished to the Trustee the following: (1) a certified copy of the Resolution required in subsection (a) of this section (if, under the circumstances, the adoption of any such Resolution is required); and (2) in the case of the redemption of any Callable Bonds on a date when such Callable Bonds may be redeemed only with funds from a specified source or when such redemption is made subject, by the terms of the Indenture or any Supplemental Indenture, to any other restriction or requirement, such evidence (if any) as the Trustee may require showing compliance with such restriction or requirement.

Section 6.2 Presentation of Callable Bonds for Redemption. Bonds Called for Redemption to Cease to Bear Interest. Upon compliance by the Authority and the Trustee with the requirements contained in subsections (a), (b) and (c) of the preceding Section 6.1 hereof (and, unless all the Bonds then outstanding are to be redeemed or unless a portion of such outstanding Bonds are to be redeemed and the remainder are, simultaneously with or prior to such redemption, to be otherwise retired), if the Authority is not on the Redemption Date in default in payment of the principal of or the interest (or premium, if any) on any of the Bonds, the Callable Bonds so called for redemption (or, in the case of any Bonds called for redemption in part, the portions thereof called for redemption) shall become due and payable at the place or places at which the same shall be payable at the Redemption Price or Redemption Prices and on the Redemption Date specified in such notice, anything herein or in the Callable Bonds to the contrary notwithstanding and the Holders thereof shall then and there surrender them for redemption; provided, however, that with respect to any Bond called for partial redemption, the Holder thereof shall surrender such Bond to the Trustee in exchange for one or more Bonds in Authorized Denominations, in an aggregate principal amount equal to the unredeemed portion of the Bond surrendered, all as shall be requested by the Holder of such Bond so called for partial redemption. All future interest on the Callable Bonds so called for redemption (or, in the case of any Bonds called for redemption in part, the portions thereof called for redemption) shall cease to accrue after the Redemption Date; and the Callable Bonds so called (or, in the case of any Bonds called for redemption in part, the portions thereof called for redemption) shall no longer be entitled to the benefit of the security provided by the Indenture but shall look solely to the moneys deposited with the Trustee under the provisions of this article; and out of the moneys so deposited with it, the Trustee shall make provision for payment of the Callable Bonds so called for redemption (or, in the case of any Bonds called for redemption in part, the portions thereof called for redemption) at the Redemption Price and on the Redemption Date.

ARTICLE VII

THE SERIES 2020 BONDS

Section 7.1 Authorization and Description of Series 2020 Bonds. (a) There is hereby authorized to be issued under the Indenture an issue or series of Bonds designated Airport Revenue Bonds, Series 2020 (Non-AMT), limited in aggregate principal amount to \$102,130,000. The Series 2020 Bonds shall be dated the date of their delivery and shall mature and become payable on July 1 in the years and in the amounts set forth below, and shall bear interest from their respective dates, computed on the basis of a 360-day year of twelve consecutive 30-day months, payable on January 1, 2021, and on each Interest Payment Date thereafter:

Maturity Date (July 1)	Amount Maturing	Interest Rate
2023	\$5,230,000	5.000%
2024	5,490,000	5.000
2025	5,765,000	5.000
2026	6,055,000	5.000
2027	6,360,000	5.000
2028	6,675,000	5.000
2029	7,010,000	5.000
2030	7,360,000	5.000
2031	4,220,000	5.000
2032	4,430,000	5.000
2033	4,650,000	5.000
2034	4,885,000	5.000
2035	5,125,000	4.000
2036	5,330,000	4.000
2037	5,545,000	4.000
2038	5,765,000	4.000
2039	6,000,000	4.000
2040	6,235,000	4.000

(b) The Series 2020 Bonds shall be initially issued in the Authorized Denominations and registered in the names of the Holders as shall, pursuant to the provisions of Section 5.8 hereof, be designated by the purchaser of the Series 2020 Bonds from the Authority. All installments of principal of and interest (and premium, if any) on each of the Series 2020 Bonds shall bear interest after the respective maturities of such principal and interest (and premium, if any) until paid or until moneys sufficient for payment thereof shall have been deposited for that purpose with the Trustee, whichever first occurs, at the rate of interest borne by such Series 2020 Bonds.

Section 7.2 Optional Redemption Provisions. Those of the Series 2020 Bonds having a stated maturity on and after July 1, 2031, shall be subject to redemption and payment, at

the option of the Authority, on July 1, 2030, and on any date thereafter, as a whole or in part (but if redeemed in part, only in installments of \$5,000 or any integral multiple thereof with those of the maturities to be redeemed to be selected by the Authority, and if less than all the Series 2020 Bonds of a single maturity are to be redeemed, those (or portions thereof) of that maturity to be redeemed to be selected by the Trustee by lot), at and for a Redemption Price with respect to each of such Series 2020 Bonds (or portion thereof) redeemed equal to the principal amount so redeemed, plus accrued interest to the Redemption Date.

Section 7.3 Form of Series 2020 Bonds. (a) The Series 2020 Bonds and the Form of Trustee's Authentication and Registration Certificate and Form of Assignment applicable thereto shall be in substantially the following forms, respectively, with such insertions, omissions and other variations as may be necessary to conform to the provisions hereof:

(Form of Series 2020 Bonds)

Unless this Series 2020 Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Authority or its agent for registration of transfer, exchange, or payment, and any Series 2020 Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

UNITED STATES OF AMERICA

STATE OF ALABAMA

BIRMINGHAM AIRPORT AUTHORITY

**Airport Revenue Bond
Series 2020**

Interest Rate

Maturity Date

CUSIP

Subject to prior payment and other provisions as herein stated, on the maturity date specified above (unless the principal of this bond shall have been duly called for previous redemption and payment duly provided for), for value received, the **BIRMINGHAM AIRPORT AUTHORITY**, a public corporation under the laws of the State of Alabama (herein called the "Authority"), will pay to **CEDE & CO.**, or registered assigns, solely out of the revenues and other moneys hereinafter referred to, the principal sum of

_____ DOLLARS

with interest thereon from the date hereof until the maturity hereof at the per annum rate specified above (computed on the basis of a 360-day year of twelve consecutive 30-day months), payable on January 1, 2021, and semiannually thereafter on each July 1 and January 1 until the due date hereof. The principal of and the premium (if any) on this bond shall be payable in lawful money of the United States of America at the principal corporate trust office of Regions Bank, Birmingham, Alabama, or its successor as Trustee under the Indenture hereinafter referred to, and the interest on this bond shall be remitted, by the Trustee hereinafter referred to, by check or draft mailed or otherwise delivered to the then registered holder hereof at the address shown on the registry books of the said Trustee; provided, however, that any such payment of interest may be made by wire transfer so long as this bond is registered in the name of Cede & Co. 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). The principal of and the interest and premium (if any) on this bond

shall bear interest after their respective due dates until paid at the per annum rate shown above. This bond is one of a duly authorized issue or series of bonds authorized to be issued in the aggregate principal amount of \$102,130,000 and designated Airport Revenue Bonds, Series 2020 (Non-AMT) (herein called the "Series 2020 Bonds"). The Series 2020 Bonds have been issued under a Trust Indenture dated the date of the Series 2020 Bonds (herein called the "Indenture"), between the Authority and Regions Bank, as Trustee (herein called the "Trustee").

The Authority is also authorized by the Indenture to issue thereunder, upon the terms and conditions therein specified, additional bonds, without express limit as to principal amount, on a parity of lien and pledge with the Series 2020 Bonds (the Series 2020 Bonds and all such additional parity bonds being herein together called the "Bonds"). The principal of and the interest on the Bonds are payable out of the net revenues derived from the operation of the facilities that constitute the Birmingham-Shuttlesworth International Airport and any other moneys pledged under the Indenture, as more particularly described in the Indenture as "Net Revenues", and payment of said principal and interest is secured, pro rata and without priority of one Bond over another or of the Bonds of any one series over the Bonds of any other, by a valid pledge of the Net Revenues and other moneys out of which they are payable. In addition, a portion of the debt service on the Series 2020 Bonds is expected to be paid from PFC Monies deposited in the Bond Fund as provided for in the Indenture. The PFC Monies are not pledged to the payment of the Series 2020 Bonds. As used herein, "PFC Monies" means the net revenues collected by the Authority from the imposition of certain passenger facility charges approved by the Federal Aviation Administration pursuant to federal law and regulations.

The Series 2020 Bonds having stated maturities on or after July 1, 2031, are subject to redemption and prepayment prior to maturity, at the option of the Authority, as a whole or in part, but if in part in such maturity or maturities as shall be specified by the Authority, on July 1, 2030, and on any date thereafter, such redemption to be at and for a redemption price equal to 100% of the principal amount redeemed, plus accrued interest to the date fixed for redemption.

If less than all of the Series 2020 Bonds of a particular maturity are to be redeemed and prepaid, the Trustee shall select by lot the Series 2020 Bonds (or portions of the principal thereof) of such maturity to be redeemed and prepaid. The Indenture requires that written notice of the call for redemption of this bond (or portion of the principal hereof) be forwarded by United States First-Class Mail to the registered holder of this bond, not less than thirty (30) or more than sixty (60) days prior to the date fixed for redemption. In the event that less than all the outstanding principal of this bond is to be redeemed, the registered holder hereof shall surrender this bond to the Trustee in exchange for a new Series 2020 Bond of like tenor herewith except in a principal amount equal to the unredeemed portion of this bond. Upon the giving of notice of redemption in accordance with the provisions of the Indenture, the Series 2020 Bonds (or principal portions thereof) so called for redemption and prepayment shall become due and payable on the date specified in such notice, anything herein or in the Indenture to the contrary notwithstanding, and the holders thereof shall then and there surrender them for prepayment, and all future interest on the Series 2020 Bonds (or principal portions thereof) so called for redemption shall cease to accrue after the date specified in such notice, whether or not such Series 2020 Bonds are so presented.

The Authority is a public corporation organized under the provisions of Article 2 of Chapter 3 of Title 4 of the Code of Alabama 1975 (the "Act"), and the Series 2020 Bonds are issued pursuant to the provisions of the Act and for purposes for which bonds may be issued under the provisions of the Act. The covenants and representations contained herein or in the Indenture are and shall be solely and exclusively obligations of the Authority and do not and shall never constitute obligations or debts of any county or municipality in the State of Alabama, nor shall any such county or municipality in said State in any manner be liable for payment of the principal of or the interest on the Series 2020 Bonds or for the performance of the undertakings of the Authority contained herein or in the Indenture.

It is hereby certified that all conditions, actions and things required by the constitution and laws of Alabama to exist, be performed and happen precedent to or in the issuance of this bond exist, have been performed and have happened in due and legal form. The Series 2020 Bonds are issuable only as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. Provision is made in the Indenture for the exchange of the Series 2020 Bonds for a like aggregate principal amount of Series 2020 Bonds of the same maturity and interest rate and in authorized denominations, all upon the terms and subject to the conditions set forth in the Indenture.

This bond is transferable by the registered holder hereof, in person or by authorized attorney, only on the books of the Trustee and only upon surrender of this bond to the Trustee for cancellation, and upon any such transfer a new Series 2020 Bond of like tenor hereof will be issued to the transferee in exchange therefor, all as more particularly described in the Indenture. Each holder, by receiving or accepting this bond, shall consent and agree and shall be estopped to deny that, insofar as the Authority and the Trustee are concerned, this bond may be transferred only in accordance with the provisions of the Indenture.

The Trustee shall not be required to transfer or exchange this bond during the period beginning on the 15th day of the month preceding the month in which any interest payment date occurs and ending on such interest payment date, and in the event that this bond (or any principal portion hereof) is duly called for redemption and prepayment, the Trustee shall not be required to transfer or exchange this 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 2020 Bond is registered shall to the extent thereof fully discharge and satisfy all liability for the same. Any transferee of this bond takes it subject to all payments of principal and interest in fact made with respect hereto.

Execution by the Trustee of its authentication certificate hereon is essential to the validity hereof and is conclusive of the due issue hereof under the Indenture.

IN WITNESS WHEREOF, the Authority has caused this bond to be executed in its name and behalf with the manual or facsimile signature of the Chairman of its Board of Directors, and has caused its corporate seal to be hereunto impressed or imprinted, has caused

the signature of the aforesaid Chairman to be attested by its Secretary, and has caused this bond to be dated July 9, 2020.

BIRMINGHAM AIRPORT AUTHORITY

By _____
Chairman
Board of Directors of
Birmingham Airport Authority

[SEAL]

Attest:

Secretary

(Form of Trustee's Authentication and Registration Certificate)

Date of Authentication and Registration: July 9, 2020.

The within Series 2020 Bond is one of those described in the within mentioned Trust Indenture.

REGIONS BANK
Birmingham, Alabama

By _____

Its _____

(Statement of Insurance)

Build America Mutual Assurance Company ("BAM"), New York, New York, has delivered its municipal bond insurance policy (the "Policy") with respect to the scheduled payments due of principal of and interest on this Bond to Regions Bank, Birmingham, Alabama, or its successor, as trustee and paying agent for the Bonds (the "Trustee"). Said Policy is on file and available for inspection at the principal office of the Trustee and a copy thereof may be obtained from BAM or the Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of these Bonds, the owner acknowledges and consents to the subrogation and all other rights of BAM as more fully set forth in the Policy. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. By its purchase of these Bonds, the owner acknowledges and consents (i) to the subrogation and all other rights of BAM as more fully set forth in the Policy and (ii) that upon the occurrence and continuance of a default or an event of default under the Indenture or this Bond, BAM shall be deemed to be the sole owner of the Bonds for all purposes and shall be entitled to control and direct the enforcement of all rights and remedies granted to the owners of the Bonds or the trustee, paying agent, registrar or similar agent for the benefit of such owners under the Indenture, at law or in equity.

(Form of Assignment)

For value received, the undersigned hereby sell(s), assign(s) and transfer(s) unto _____ the within Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, with full power of substitution in the premises, to transfer this Bond on the books of the within mentioned Trustee.

DATED this ____ day of _____, ____.

NOTE: The signature on this assignment must correspond with the name of the registered owner as it appears on the face of the within Bond in every particular, without alteration, enlargement or change whatsoever.

Signature guaranteed:

(Bank, Trust Company or Firm)*

By _____
(Authorized Officer)

Medallion Number: _____

*Signature(s) must be guaranteed by an eligible guarantor institution which is a member of a recognized signature guarantee program, i.e., Securities Transfer Agents Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), or New York Stock Exchange Medallion Signature Program (MSP).

Section 7.4 Execution and Delivery of the Series 2020 Bonds. The Series 2020 Bonds shall be forthwith executed and delivered to the Trustee and shall be authenticated and delivered by the Trustee from time to time upon receipt by the Trustee of an order signed on behalf of the Authority by an Authorized Authority Representative, requesting such authentication and delivery and designating the person or persons to receive the same or any part thereof.

Section 7.5 Application of Principal Proceeds from Sale of Series 2020 Bonds. The entire proceeds derived by the Authority from the sale of the Series 2020 Bonds, less (i) the underwriter's discount of \$504,000.00, to be retained by the underwriter for the Series 2020 Bonds, (ii) the sum of \$586,231.43 to be remitted directly by the underwriter for the Series 2020 Bonds to BAM for payment of the premium for the Policy, and (iii) the sum of \$168,922.07 to be remitted directly by the underwriter for the Series 2020 Bonds to BAM for payment of the premium for the Reserve Fund Policy, and shall be promptly thereafter as follows:

(i) the sum of \$120,235,413.29 shall be remitted by the Trustee to the Escrow Trustee for deposit into the Series 2010 Bonds Escrow Fund for the payment and redemption of the Series 2010 Bonds as more particularly described and set forth in the Escrow Trust Agreement; and

(ii) the balance (\$595,261.41) shall be deposited by the Trustee into a special clearing account herein authorized for the Trustee to create and establish and applied by the Trustee for payment of those costs of issuing the Series 2020 Bonds identified in a written directive from an Authorized Authority Representative to the Trustee on the date of issuance of the Series 2020 Bonds.

Section 7.6 Registration of Series 2020 Bonds in the Book-Entry Only System. (a) The Series 2020 Bonds shall be initially issued in book-entry only form (one fully-registered certificate for each maturity of the Series 2020 Bonds in the aggregate principal amount of such maturity), registered in the name of Cede & Co., the nominee of the Depository Trust Company. So long as the said book-entry only system remains in effect, the provisions of this Indenture, including the provisions governing the registration and exchange of Series 2020 Bonds, places and manner of payment of Series 2020 Bonds, requirements for presentment of Series 2020 Bonds and manner and effect of redemption of Series 2020 Bonds shall be subject to the standard procedures of the Depository Trust Company. The Authority and the Trustee will have no responsibility or obligation to any securities depository, any participant in the book-entry only system, or the beneficial owners of the Series 2020 Bonds with respect to (i) the accuracy of any records maintained by any such securities depository or participant; (ii) the payment by any such securities depository or participant in the book-entry only system of any amount due to any participant or beneficial owner, respectively, in respect of the principal amount or redemption or purchase price of, or interest on, any of the Series 2020 Bonds; (iii) the delivery of any notice by any such securities depository or participant in the book-entry only system; (iv) the selection of the beneficial owners to receive payment in the event of any partial redemption of the Series 2020 Bonds; or (v) any other action taken by any such securities depository or participant in the book-entry only system.

(b) In the event that the book-entry only system for the Series 2020 Bonds is discontinued: (i) principal of the Series 2020 Bonds will be payable upon surrender of the Series 2020 Bonds at the designated office of the Trustee and (ii) Series 2020 Bonds may be transferred or exchanged for other Series 2020 Bonds in denominations of \$5,000 or any integral multiple thereof. The following provisions shall apply only upon discontinuation of the book-entry only system described above: (A) a physical certificate or certificates shall be executed, authenticated and delivered to each beneficial owner under the book-entry only system in accordance with such beneficial owner's ownership interest; and (B) such certificates shall be registered in the Bond register maintained by the Trustee. The Series 2020 Bonds shall be registered and may be transferred only on the Bond register maintained by the Trustee with respect to the Series 2020 Bonds. No transfer of the Series 2020 Bonds shall be permitted except upon presentation and surrender of such Series 2020 Bonds at the office of the Trustee. The holder of one or more of the Series 2020 Bonds may, upon request, and upon the surrender to the Trustee of such Series 2020 Bonds, exchange such Series 2020 Bonds for Series 2020 Bonds of other Authorized Denominations of the same amount as the Series 2020 Bonds so surrendered. Any registration, transfer and exchange of Series 2020 Bonds shall be without expense to the holder thereof, except that the holder shall pay any expenses incurred in connection with the replacement of a mutilated, lost, stolen, or destroyed Series 2020 Bond.

Section 7.7 Disposition of Funds and Securities Held in Special Funds Created Pursuant to the 1990 Indenture. Contemporaneously with the issuance of the Series 2020 Bonds, the Authority will direct Synovus Bank, in its capacity as the 1990 Indenture Trustee and as the depository of the Unrestricted Funds Account described below, to cause the securities held in the special funds created under the 1990 Indenture and in the said Unrestricted Funds Account to be liquidated, and the proceeds from such liquidation, together with any uninvested cash held in any such special funds and accounts and the securities held on deposit in such special funds and accounts (to the extent not liquidated), to be transferred and applied in the following manner, for the following purposes and in the following amounts:

(a) transfer into the Series 2010 Bonds Escrow Fund the sum of \$1,850,070.87 held in the Bond Fund Primary Account (as defined in the 1990 Indenture) established in the 1990 Indenture;

(b) transfer into the Series 2010 Bonds Escrow Fund the sum of \$4,267,659.61 held by Synovus Bank in the special account entitled "Unrestricted Funds Account";

(c) transfer into the Series 2010 Bonds Escrow Fund the sum of \$13,033,744.26 held in the Reserve Fund (as defined in the 1990 Indenture) established in the 1990 Indenture; and

(d) transfer to the Authority the amounts contained in any other funds or accounts of the 1990 Indenture as 1990 Indenture Trustee may be directed in writing by an Authorized Authority Representative.

ARTICLE VIII

ADDITIONAL BONDS

Section 8.1 Additional Bonds - In General. In the event the Authority desires

(a) to refund or retire all or any portion of any one or more series of Bonds then outstanding hereunder,

(b) to acquire, by construction or otherwise, Capital Improvements (including the providing of funds with which to reimburse the Authority for costs incurred by it in the construction or acquisition of Capital Improvements, or to refund any securities of the Authority issued for such purposes),

(c) to finance or pay for expenses of the Authority, or

(d) to provide for any other lawful expenditure for which the Authority may expend funds under the laws of the State of Alabama,

it may at any time and from time to time, if it is not to the actual knowledge of a Responsible Officer of the Trustee in default under the Indenture, issue Additional Bonds for such purpose or purposes, within the limitations of and upon compliance with the provisions of this Article VIII.

The Additional Bonds may be in such denomination or denominations, shall bear interest at such rate or rates, shall be dated such dates not inconsistent with the provisions hereof, shall mature in such amounts and at such times as are not in conflict with the provisions hereof, shall be in such form and may contain such provisions for redemption prior to maturity and for the providing of special security as described in the final sentence of Section 3.1 hereof, all as may be provided in the Supplemental Indenture under which they are issued; provided that any redemption of Additional Bonds prior to maturity shall be effected in the manner set forth in and shall be subject to the provisions of Article VI hereof.

Section 8.2 Conditions Precedent to Issuance of Additional Bonds. Prior to the issuance of any of the Additional Bonds, the Authority shall deliver to the Trustee those of the Additional Bonds proposed to be issued, duly executed and sealed, accompanied by the following:

(a) **Supplemental Indenture.** A Supplemental Indenture, duly executed, sealed and acknowledged on behalf of the Authority and containing the following:

(i) a description of the Additional Bonds proposed to be issued, including the date, the aggregate principal amount or maximum aggregate principal amount, the series designation (if any), and any provisions for redemption thereof prior to their respective maturities; (ii) a statement of the purpose or purposes for which the Additional Bonds are proposed to be issued; (iii) whether such Additional Bonds are to be secured by the Reserve Fund, (iv) in the event such Additional

Bonds are to be secured by a Credit Facility, provisions providing for such Credit Facility; and (v) any other provisions that do not conflict with the provisions hereof;

(b) **Proceedings.** A certified copy of the proceedings taken by the Directors authorizing the sale and issuance of the Additional Bonds proposed to be issued and the execution and delivery of the Supplemental Indenture providing therefor, which such proceedings shall include a Resolution requesting the Trustee to authenticate and deliver to the purchaser the Additional Bonds proposed to be issued and reciting the following: (i) that the Authority is not at the time in default hereunder and that no such default is imminent; (ii) the series designation (if any) of the Additional Bonds proposed to be issued; (iii) a statement as to whether such Additional Bonds are to be secured by the Reserve Fund, and (iv) a list of all Additional Bonds previously issued by the Authority hereunder and at the time outstanding;

(c) **Certificate as to Revenues.** A certificate signed by an Independent Auditor or a report of an Independent Airport Consultant which establish that such Additional Bonds would satisfy the condition set forth in Section 11.13(a)(2) hereof; provided that the foregoing requirements of this subsection (c) are not required to be satisfied (A) in the case of Completion Bonds, to the extent that the issuance of Completion Bonds is permitted by Section 11.13(a)(3) hereof, or (B) in the case of Additional Bonds issued for refunding purposes, to the extent that the issuance of Additional Bonds for refunding purposes is permitted by Section 11.13(a)(4) hereof .

(d) **Opinion of Independent Counsel.** An opinion dated on the date of issuance of such Additional Bonds, signed by Independent Counsel (which may be Bond Counsel) acceptable to the Trustee, approving the forms of all documents required in the preceding portions of this section to be delivered to the Trustee and reciting that they comply with the applicable requirements of this article; and

(e) **Opinion of Bond Counsel.** An opinion dated on the date of issuance of such Additional Bonds, signed by Bond Counsel and approving the validity and legality of such Additional Bonds.

Upon receipt of the documents required by the provisions of this section to be furnished to it, the Trustee shall, unless it has cause to believe any of the statements set out in said documents to be incorrect, thereupon execute the Supplemental Indenture so presented and cause the same to be filed for record at the expense of the Authority in such public office or offices, in which such document is then required by law to be filed in order to afford constructive notice thereof, and it shall further authenticate the Additional Bonds with respect to which the said documents shall have been made and shall, upon receipt of evidence satisfactory to it that the Authority has received the purchase price or other consideration therefor, deliver the Additional

Bonds so authenticated to the person or persons to whom the Resolution provided for in subsection (b) of this section directed such Additional Bonds to be delivered.

Section 8.3 Credit Facility for Additional Bonds. The Authority may, in connection with the issuance of any series of Additional Bonds (and in addition to all other rights of the Authority in connection with issuance of Additional Bonds, including, without limitation, the right of the Authority pursuant to this Indenture to cause such Additional Bonds to be secured by the Reserve Fund),

(a) provide a Credit Facility therefor,

(b) enter into such agreements as are necessary and appropriate with a Credit Facility Obligor providing, inter alia, for (i) the payment of the fees and expenses of such Credit Facility Obligor, which fees and expenses shall be payable out of the proceeds from the sale of such Additional Bonds or as an Operating Expense, as appropriate and (ii) the terms and conditions of such Credit Facility and any security to be provided for such Credit Facility and for the payment of the obligations of the Authority with respect thereto,

(c) secure any of its obligations with respect to such Credit Facility by an agreement providing for the purchase of any Bonds secured thereby, with such adjustments as to interest rates, methods of determination of interest, maturities or redemption provisions as shall be specified by the Authority in the applicable Supplemental Indenture,

(d) incur a Reimbursement Obligation which may be secured by a lien or charge on the Net Revenues from the Airport Facilities subordinate to the lien or charge thereon created hereby for the benefit of the Bonds,

(e) provide, in any such agreement and in the appropriate Supplemental Indenture, that for the purpose of giving consents, receiving notices and certain specified other purposes, such Credit Facility Obligor shall be deemed to be the Holder of all Bonds secured by such Credit Facility, and

(f) provide in any such agreement and in the appropriate Supplemental Indenture that the maturity of the Bonds secured by such Credit Facility may not be accelerated without the consent of the Credit Facility Obligor issuing such Credit Facility.

ARTICLE IX

PFC ACCOUNT

Section 9.1 PFC Account

(a) The Authority hereby covenants and agrees that so long as PFC Monies are used to pay debt service on the Series 2020 Bonds and any Additional Bonds, the Authority shall maintain a segregated special purpose account at a commercial bank of its choosing, to be known as the "PFC Account." Initially, the PFC Account shall be the Authority's PFC Revenue Fund - 3734128 maintained at Synovus Bank in Birmingham, Alabama. The Authority may at any time and from time to time designate another banking institution as depository for the PFC Account, provided that such depository so designated shall at all times while acting as such be and remain a member of the Federal Deposit Insurance Corporation or of any agency of the United States of America that may succeed to its functions, if there be any such, and shall be and remain duly qualified to do business in the State of Alabama. The PFC Account is not pledged as security for the Series 2020 Bonds, or, unless the Supplemental Indenture authorizing a particular series of Additional Bonds shall provide otherwise, for any Additional Bonds.

(b) Promptly upon receipt, the Authority shall deposit all PFC Monies received by the Authority in the PFC Account. The Authority expects for each annual period ending July 1 (each a "Bond Year") to make monthly withdrawals from the PFC Account (to the extent of the funds available therein at the time of withdrawal) in amounts that will aggregate approximately \$4,500,000 for each Bond Year. The Authority shall transfer each such monthly withdrawal to the Trustee for immediate deposit in the Bond Fund, to be used solely for the payment of principal of, and interest on, the Series 2020 Bonds, and, if provided in the Supplemental Indenture authorizing a particular series of Additional Bonds, for the payment of principal of, and interest on, such Additional Bonds. As provided in Section 10.2 hereof, the funds transferred to the Bond Fund from the PFC Account shall be credited against the transfers from the Revenue Account to the Bond Fund required by said Section 10.2. Any excess funds remaining in the PFC Account after the monthly withdrawals and transfers described in this Section 9.1 may be withdrawn by the Authority and used for any purpose other than debt service on the Series 2020 Bonds and, if applicable, any Additional Bonds, for which PFC Monies may lawfully be expended.

(c) In its discretion, the Authority may elect to increase or decrease the amount to be transferred from the PFC Account to the Bond Fund on any monthly withdrawal date or during any Bond Year, provided that any such adjustment shall comply with the then applicable restrictions of the Federal Aviation Administration.

ARTICLE X

DISPOSITION OF REVENUES FROM THE AIRPORT FACILITIES AND CREATION OF SPECIAL FUNDS

Section 10.1 Revenue Account. There is hereby created a special trust account, the full name of which shall be the "Airport Facilities Revenue Account." The Authority will deposit into the Revenue Account, or cause to be deposited therein, daily as received by the Authority, all of the Revenues derived from operation of the Airport Facilities. The Authority will pay, out of the Revenues derived from the operation of the Airport Facilities on deposit in the Revenue Account, all Operating Expenses, as payment for the said expenses becomes due. On or prior to each Interest Payment Date and each Principal Payment Date, moneys on deposit in the Revenue Account shall be withdrawn by the Authority and disbursed as follows:

(a) The Authority will pay into the Bond Fund, out of the revenues on deposit in the Revenue Account remaining after payment of Operating Expenses for which payment is then due, the sum provided in Section 10.2 to be paid into the Bond Fund to cover the amount due on such Interest Payment Date and such Principal Payment Date;

(b) The Authority will pay into the Reserve Fund such amounts as are required hereby to be paid therein on or before such date, to the extent herein provided and to the extent that moneys on deposit in the Revenue Account are sufficient therefor; and

(c) When no delinquency exists with respect to the payments provided for in subsection (a) and (b) immediately above, the revenues derived from the operation of Airport Facilities remaining on deposit in the Revenue Account may be withdrawn by the Authority and used for any lawful purpose, and upon such withdrawal shall not be subject to the lien of this Indenture.

Section 10.2 Bond Fund. There is hereby created a special trust fund, the full name of which shall be the "Bond Principal and Interest Fund." There shall be paid into the Bond Fund, in addition to all other amounts herein required to be paid therein, the following:

(a) Contemporaneously with the issuance and sale of any of the Bonds and out of the proceeds derived from such sale, the Authority (or the Trustee on behalf of the Authority) will pay into the Bond Fund such part of the proceeds from said sale as is allocable to accrued interest.

(b) Prior to each Interest Payment Date and each Principal Payment Date, the Authority will pay into the Bond Fund, out of the revenues derived from the operation of the Airport Facilities on balance in the Revenue Account (with credits for the amounts transferred into the Bond Fund from the PFC Account pursuant to Article IX hereof), an amount equal to the sum of the principal of and

the interest on the Bonds that will mature or that will be subject to a Mandatory Redemption Requirement on such Interest Payment Date and such Principal Payment Date; provided, however, that there shall be credited on the payments due under this subparagraph (b) (1) all amounts paid into the Bond Fund pursuant to the provisions of the preceding subsection (a) of this section, and (2) all amounts deposited into the Bond Fund from the principal proceeds from the sale of Bonds that have not theretofore been credited on previous payments due into the Bond Fund hereunder.

There shall also be credited on the payments due under this Section to be made into the Bond Fund all earnings on investments made pursuant to the provisions of Section 10.7 hereof to the end that all moneys held in the Bond Fund shall be paid out for purposes for which the Bond Fund was created within thirteen (13) months from the date such moneys first become available for such purposes. The Trustee shall promptly notify the Authority of the receipt of such earnings and the amount thereof.

There shall also be credited against the amounts to be paid into the Bond Fund from the Revenue Account for the payment of principal of, or interest on, the Series 2020 Bonds and, if applicable, any Additional Bonds, any moneys from the PFC Account that are paid into the Bond Fund for that purpose in accordance with the provisions of Article IX of this Indenture.

All moneys paid into the Bond Fund shall be used only for payment of the principal of and the interest on the Bonds upon or after the respective maturities of such principal and interest and to redeem Bonds subject to a Mandatory Redemption Requirement; provided, however, (1) in the event that the principal, interest or premium due on any of the Bonds (whether at maturity, by redemption or otherwise) is paid to the Trustee on behalf of the Holders of such Bonds or directly to such Holders, out of the proceeds of a Credit Facility, and funds for the payment of all or a portion of such principal, interest or premium shall have been deposited into the Bond Fund pursuant to this section, the Trustee shall pay the amount so deposited, to the extent of any such payment pursuant to a Credit Facility, to the Credit Facility Obligor issuing such Credit Facility in satisfaction of any Reimbursement Obligation with respect thereto; and (2) if at the final maturity of the Bonds, however the same may mature, there shall be in the Bond Fund moneys in excess of what shall be required to pay in full the principal of and the interest on the Bonds, then any such excess shall thereupon be returned to the Authority. Whenever the amount of moneys on deposit in the Bond Fund together with the moneys on deposit in the Reserve Fund (exclusive of amounts treated as being on deposit therein pursuant to a Reserve Fund Credit Facility) equals or exceeds the aggregate of the principal and interest then remaining unpaid with respect to the Bonds, no further payments need be made into the Bond Fund except to make good moneys paid therein which may have become lost or which may not be immediately available for withdrawal under the provisions of this section.

The Trustee will take such action as may be necessary, under the provisions of Article VI hereof, to effect the redemption, on the next succeeding Principal Payment Date, of the principal amount of Bonds, if any, required to be redeemed on such Principal Payment Date pursuant to any Mandatory Redemption Requirement.

Anything in this Section to the contrary notwithstanding, the Authority will make the payments required to be made in this Section into the Bond Fund out of Net Revenues derived from the operation of the Airport Facilities on balance in the Revenue Account at such times as will result in there being on deposit in the Bond Fund at least three days prior to each Principal Payment Date an amount equal to the principal, if any, maturing or required to be redeemed pursuant to any Mandatory Redemption Requirement, on such Principal Payment Date, and at least three days prior to each Interest Payment Date an amount equal to the interest, if any, maturing on such Interest Payment Date.

Section 10.3 Reserve Fund. (a) There is hereby created a special trust fund, the name of which shall be the "Birmingham Airport Authority Debt Service Reserve Fund" and which shall be continued and maintained in accordance with the provisions of the Indenture until the principal of and the interest on the Bonds 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 2020 Bonds and any Additional Bonds that the Authority elects to be secured thereby. Before making any draw or demand on a Reserve Fund Credit Facility to obtain moneys for any transfer to the Bond Fund, the Trustee shall first exhaust all moneys and securities on deposit in, or held as a part of, the Reserve Fund. In any Resolution providing for the issuance of Additional Bonds, the Directors shall specify whether or not such Additional Bonds are to be secured by the Reserve Fund.

(b) Simultaneously with the issuance and delivery of the Series 2020 Bonds, the Authority shall cause to be deposited the Reserve Fund Policy into the Reserve Fund. If the Authority hereafter issues Additional Bonds that it elects to be secured by the Reserve Fund, the Authority will cause to be added to the moneys then on deposit in 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 those of the Additional Bonds that have been most recently issued from (b) the Reserve Fund Requirement with respect to the Bonds outstanding immediately following the issuance of those of the Additional Bonds that have been most recently issued; provided, however, that the amount of moneys to be so 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. Unless the Supplemental Indenture authorizing such Additional Bonds shall provide otherwise, any such addition of moneys to the Reserve Fund that is required to be made in connection with the issuance of any Additional Bonds shall be effected through (i) a single deposit to the Reserve Fund either (A) out of the proceeds of the Additional Bonds with respect to which such deposit is required to be made or (B) other funds of the Authority available for such purpose, or (C) any combination thereof, or (ii) a single deposit of a Reserve Fund Credit Facility (the amount of which shall be treated as funds in the Reserve Fund as provided herein), or (iii) any combination thereof, such deposit(s) to be made at the time of issuance of such Additional Bonds.

(c) The moneys forming a part of the Reserve Fund (including, if necessary, moneys obtained from a draw on any Reserve Fund Credit Facility) shall be transferred to the Bond Fund for payment of the principal of and the interest on the Bonds secured by the Reserve Fund, but only when the moneys 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 principal or interest so maturing

as to which there would otherwise be a default. Subject to paragraph (d) immediately below, whenever any of the moneys forming a part of the Reserve Fund shall be so transferred to the Bond Fund, the Authority will 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 moneys remaining in the Revenue Account after compliance with the then applicable provisions of Sections 10.1 and 10.2 hereof.

(d) In the event that, as a result of a draw or demand on a Reserve Fund Credit Facility, moneys paid pursuant to a Reserve Fund Credit Facility are transferred to the Bond Fund, then on the 25th day of each month, commencing with the month next following that during which such moneys were so paid and continuing each month thereafter until the Reimbursement Obligation resulting from such draw or demand has been fully repaid, the Authority will, after first making any payments required to be made by the provisions of Section 10.2 hereof and the other provisions of this Section 10.3 on such date, transfer and pay to the Credit Facility Obligor issuing such Reserve Fund Credit Facility, out of the moneys in the Revenue Account, whichever of the following is the lesser:

- (1) an amount equal to 1/12 of the Reimbursement Obligation referable to or resulting from such draw or demand, or
- (2) an amount sufficient to repay in full the Reimbursement Obligation referable to or resulting from such draw or demand.

The amount payable to the Trustee pursuant to a Reserve Fund Credit Facility shall be deemed to be on deposit in the Reserve Fund for purposes of this Section 10.3 subject to the following conditions:

- (1) The Reserve Fund Credit Facility shall have a term, as of the date of issuance, of not less than three (3) years;
- (2) The Reserve Fund Credit Facility shall not be secured by any interest in the Net Revenues in favor of the Credit Facility Obligor issuing such Reserve Fund Credit Facility that is prior to or on a parity with the security interest herein provided by this Indenture;
- (3) Prior to any transfer to the Authority of moneys on deposit in the Reserve Fund as a result of the delivery to the Trustee of such Reserve Fund Credit Facility, there shall be delivered to the Trustee a certified Resolution specifying the manner in which the Authority intends to apply the funds thereby made available to it and an opinion of Bond Counsel to the effect that such transfer and the application of funds thereby made available to the Authority in the manner specified in the said Resolution will not result in the interest income on any of the Bonds issued as tax-exempt Bonds under the Code becoming

includable in gross income of the recipients thereof for federal income taxation; and

- (4) Not less than 180 days prior to the expiration of any Reserve Fund Credit Facility, the Authority will either furnish to the Trustee a substitute Reserve Fund Credit Facility complying with the requirements hereof for the initial Reserve Fund Credit Facility or deposit in the Reserve Fund an amount sufficient to bring the Reserve Fund to its then required level without taking into account any amounts payable under such Reserve Fund Credit Facility.

Subject to the provisions of the preceding paragraph, upon the delivery to the Trustee of a Reserve Fund Credit Facility, any amount then on deposit in the Reserve Fund in excess of the amount then required to be on deposit in the Reserve Fund shall be paid to the Authority.

(e) 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. When the amount of moneys in the Reserve Fund plus the amount of moneys in the Bond Fund equals or exceeds the aggregate principal and interest then remaining unpaid with respect to the Bonds, no further payments need be made into the Reserve Fund, except in the event the Authority thereafter issues Additional Bonds secured by the Reserve Fund, in which case deposit(s) will be made into the Reserve Fund in accordance with the provisions of paragraph (b) of this Section 10.3.

Section 10.4 Making Good any Deficit in Payments. After compliance with the then applicable provisions of Sections 10.1, 10.2 and 10.3 hereof, the balance of funds derived from the operation of the Airport Facilities remaining in the Revenue Account shall, to the extent necessary and in the following order, (i) be paid into the Bond Fund for the purpose of making good any delinquency or deficit existing in the Bond Fund by reason of failure to pay therein any amounts required to be paid therein by the provisions of Sections 10.2 of this Indenture, and (ii) be paid into the Reserve Fund for the purpose of making good any delinquency or deficit existing in the Reserve Fund by reason of failure to pay therein any amounts required to be paid therein by the provisions of Section 10. 3 of this Indenture.

Section 10.5 Surplus Revenues. At any time when all payments herein provided to be made into the Bond Fund and the Reserve Fund are current and said funds are in a current condition, the balance remaining on deposit in the Revenue Account may be withdrawn by the Authority and applied for any lawful purpose.

Section 10.6 Security for Special Funds. The Revenues derived from the operation of the Airport Facilities at any time on deposit in the Revenue Account and the funds on deposit in the Bond Fund and the Reserve Fund shall be and at all times remain public funds impressed with a trust for the purposes for which said account and funds are respectively created. The depository for each such account and fund shall at all times keep the moneys on deposit in the account, fund or funds for which it is depository continuously secured, for the benefit of the Authority and the Holders of the Bonds, either

(a) by holding on deposit, as collateral security, Federal Securities, or other marketable securities eligible as security for the deposit of trust funds under regulation of the Comptroller of the Currency, having a market value (exclusive of accrued interest) not less than the amount of moneys on deposit in the account or fund being secured, or

(b) if the furnishing of security in the manner provided by the foregoing clause (a) of this section is not permitted by the then applicable laws and regulations, then in such other manner as may be required or permitted by the then applicable state and federal laws and regulations respecting the security for, or granting a preference in the case of, the deposit of trust funds;

provided, however, that it shall not be necessary for any such depository so to secure any portion of the moneys on deposit in any such account or fund that is insured by the Federal Deposit Insurance Corporation or by any agency of the United States of America that may succeed to its functions or that is invested in Eligible Investments pursuant to the provisions of Section 10.7 hereof.

Section 10.7 Investment of Bond Fund, Reserve Fund and Revenue Account. (a) The Trustee shall, to the extent practicable, cause all moneys on deposit in the Bond Fund and the Reserve Fund to be kept continuously invested in Eligible Investments having stated maturities, or being redeemable at the option of the holder at a stated price and time, not later than the date that such moneys shall, under the terms hereof, be needed to pay the principal and interest maturing with respect to the Bonds or the Redemption Price of any herein required to be redeemed on such date. Such securities, together with all income therefrom, shall become a part of the fund which moneys were used to make such investment to the same extent as if they were moneys on deposit therein. The Trustee may at any time and from time to time, as in its sole discretion it deems desirable, cause any such securities to be sold or otherwise converted into cash and shall cause such securities to be sold or converted into cash if and to the extent that such sale or conversion is necessary to obtain moneys to prevent a default in payment of the principal of and the interest on the Bonds. The net proceeds from the sale or other conversion into cash of any securities forming a part of the Bond Fund shall be paid into and become a part of the Bond Fund, and the net proceeds from the sale or other conversion into cash of any securities forming a part of the Reserve Fund shall be paid into and become a part of the Reserve Fund. In making any investment provided for in this paragraph, the Trustee shall follow the written instructions of an Authorized Authority Representative as to the selection and terms of such investment. The Trustee shall have no liability for any loss resulting from investments made under the Indenture except liability for its own negligence or willful misconduct.

(b) The Authority may, at any time and from time to time while it is not in default hereunder, withdraw all or any part of the moneys on deposit in the Revenue Account for the purpose of causing such moneys to be invested in any securities in which the Authority is authorized to invest its funds and having stated maturities, or being redeemable at the option of the holder at a stated price and time, prior to the date when it is anticipated by the Authority that such funds will be needed. Any such securities, together with all income therefrom, shall become a part of the Revenue Account and shall be held by the depository for such account or fund to the same extent as if they were moneys on deposit in such account or fund.

(c) The Trustee and the Authority shall be fully protected in making any investment, sale or conversion in accordance with the provisions of this section, and in the event any moneys in the Revenue Account, the Reserve Fund or the Bond Fund shall be invested as authorized in this section, it shall not be necessary for the depository therefor to secure any such investment (in any case where security for such moneys might otherwise be required) so long as such moneys shall remain so invested. In any determination of the amount of moneys at any time forming a part of the Revenue Account, the Reserve Fund or the Bond Fund, all such securities in which any portion thereof is at the time so invested shall be included in the account or fund from which moneys were used to make such investment at market value.

Section 10.8 Depository for Bond Fund. The Trustee shall at all times be the depository, custodian and disbursing agent for the Bond Fund; and all moneys herein required to be paid into the Bond Fund shall be remitted to the Trustee. Out of the moneys deposited with it in the Bond Fund or transferred thereto, the Trustee shall make provision for payment of the principal of and interest on the Bonds as the same shall respectively mature and for the redemption of Bonds subject to a Mandatory Redemption Requirement.

Section 10.9 Depository for Revenue Account. The Directors may at any time and from time to time designate any one or more banking institutions as a depository for the Revenue Account, provided that such depository so designated shall at all times while acting as such be and remain a member of the Federal Deposit Insurance Corporation or of any agency of the United States of America that may succeed to its functions, if there be any such, and shall be and remain duly qualified and doing business in the State of Alabama. Each such depository shall be fully protected in paying out moneys from the Revenue Account on checks, vouchers or drafts signed by any duly authorized officer or employee of the Authority, and no such depository shall be liable for the misapplication by the Authority of any moneys so withdrawn if such moneys shall be so withdrawn without knowledge or reason on the part of such depository to believe that such disbursement constitutes a misapplication of funds.

Section 10.10 Continuance of Special Funds. The special accounts and funds created in this Article X shall be continued until all of the Bonds shall have been paid or surrendered for cancellation or until provision for such payment has been made in the manner contemplated by Section 16.1 hereof.

ARTICLE XI

PARTICULAR COVENANTS OF THE AUTHORITY

Section 11.1 To Pay Bonds. The Authority will pay, out of Net Revenues, the principal of and the interest (and premium, if any) on the Bonds as specified therein, and it will otherwise perform all obligations which, either expressly or by reasonable implication, are imposed on it in the Indenture and it will not default hereunder.

Section 11.2 To Maintain Proper Books and Records and Furnish Annual Audits. The Authority will maintain complete books and records pertaining to the Airport Facilities and all receipts and disbursements with respect thereto, which shall be kept separate and apart from all other records of the Authority. The Authority will, within two hundred seventy (270) days following the close of each Fiscal Year, cause an audit of its books respecting the Airport for such Fiscal Year to be made by an Independent Auditor. All expenses incurred in the making of such audits shall constitute and be paid as an Operating Expense. Within ten Business Days following receipt of each such audit report, the Authority will furnish a copy thereof to the Trustee (which such obligation may be satisfied by the Authority having published the required audited financial statements on the EMMA System).

Section 11.3 Operation of Airport Facilities. The Authority shall establish and enforce reasonable rules and regulations governing the operation and use of the Airport Facilities, operate the Airport Facilities in an efficient and economical manner, maintain the properties constituting the Airport Facilities in good repair and in sound operating condition for so long as the same are necessary to the operation of the Airport Facilities upon a revenue-producing basis, and comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body that are applicable to the Airport Facilities.

Section 11.4 Rate Covenant. (a) The Authority shall fix, charge and collect rates, fees, rentals and charges for the use of the Airport Facilities and shall revise such rates, fees, rentals and charges as often as may be necessary or appropriate (i) to produce Revenues in each Fiscal Year at least equal to the sum of the Operating Expenses becoming due in such Fiscal Year and the amounts required to be deposited during such Fiscal Year into the Bond Fund and the Reserve Fund for any outstanding Bonds pursuant to the provisions of Section 10.2 through 10.3 hereof, and (ii) to produce Net Revenues in each Fiscal Year at least equal to 125% of the aggregate amount required to be deposited into the Bond Fund during such Fiscal Year pursuant to the provisions of Section 10.2 hereof. For purposes of determining whether the foregoing requirements have been satisfied, the amount required to be deposited into the Bond Fund during each Fiscal Year shall be reduced by the amount of any PFC Monies transferred from the PFC Account to the Bond Fund during such Fiscal Year.

(b) If, during any such Fiscal Year, Revenues estimated are less than the amount required under paragraph (a) of this section, the Authority shall, to the extent permitted by applicable law, revise its rates, fees, rentals and charges, or alter its methods of operation or take other action in such manner as is calculated to produce the amount so required in such Fiscal Year.

(c) If the audit report for any Fiscal Year indicates that the Authority has not satisfied its obligations under paragraph (a) of this Section 11.4, then as soon as reasonably practicable (and in any event no later than 60 days) after the receipt of the audit report for such Fiscal Year, the Authority shall employ an Independent Airport Consultant to review and analyze the financial status and the administration and operations of the Airport Facilities, to inspect the properties constituting the Airport Facilities, and to submit to the Directors, within 60 days after employment of the Independent Airport Consultant, a written report on the same, including the action which the Independent Airport Consultant recommends should be taken by the Authority with respect to the revision of its rates, fees, rentals and charges, alteration of its methods of operation or the taking of other action that is projected to result in producing the amount so required in the following twelve-month period or, if less, the maximum amount deemed feasible by the Independent Airport Consultant. Promptly upon its receipt of the recommendations of the Independent Airport Consultant, the Authority shall, after giving due consideration to the recommendations, to the extent permitted by applicable law, revise its rates, fees, rentals and charges or alter its methods of operation, which revisions or alterations need not comply with the Independent Airport Consultant's recommendations so long as any revisions or alterations are projected by the Authority to result in compliance with paragraph (a) of this section. The Authority shall transmit copies of the Independent Airport Consultant's recommendations to the Trustee.

(d) In the event the Authority fails to take action as required by paragraphs (b) and (c) of this section, the Trustee may, and upon request of the Holders of not less than a majority in Outstanding Amount of the Bonds then outstanding and secured hereby, shall institute and prosecute an action or proceeding in any court or before any board or commission having jurisdiction to compel the Authority to comply with the requirements of said paragraphs.

Section 11.5 To Respect Priority of Pledge of Net Revenues. The pledge of Net Revenues from the operation of the Airport herein made shall be prior and superior to any pledge thereof hereafter made for the benefit of any securities hereafter issued or any contract hereafter made by the Authority, other than Additional Bonds issued under the provisions of Article VIII hereof, and the Authority agrees that in the event it should hereafter issue any securities or make any contract payable out of Net Revenues from the operation of the Airport, other than such Additional Bonds, or for which any part of said Net Revenues may be pledged or, except for the granting of a mortgage on Special Purpose Facilities, Maintenance/Manufacturing Facilities and facilities constituting a discrete portion of the Airport Facilities which generate revenues other than Revenues and Net Revenues as expressly permitted in this Indenture, any part of the Airport may be mortgaged, the Authority will recognize in the proceedings under which any such securities or contract are hereafter authorized the priority of the pledge of said Net Revenues herein made for the benefit of the Bonds.

Section 11.6 Disposition of Portions of Airport Facilities Properties. (a) Except as provided in this Section 11.6, the Authority shall not sell or otherwise dispose of all or any part of the properties constituting the Airport Facilities.

(i) The Authority, without notice to the Trustee and free of any obligation to make any replacement thereof or substitution therefor, shall have the right to sell or dispose of any machinery, fixtures, apparatus, tools, instruments or other personal property which may be determined to be part of the Airport Facilities, or any materials used in connection therewith, if the Authority determines that such articles are no longer needed or useful in connection with the construction or maintenance of the properties constituting the Airport Facilities or the operation of the Airport Facilities or that such sale or disposition will not materially impair the operating efficiency of the Airport Facilities or reduce the ability of the Authority to satisfy the requirements of Section 11.4(a) of this Indenture.

(ii) The Authority, without notice to the Trustee and free of any obligation to make any replacement thereof or substitution therefor, shall have the right to demolish or remove any real property and structures now or hereafter existing as part of the Airport Facilities provided that the Authority determines that such removal or demolition does not materially impair the operating efficiency of the Airport Facilities or reduce the ability of the Authority to satisfy the requirements of Section 11.4(a) of this Indenture.

(iii) The Authority shall have the right to lease or otherwise convey real property for the construction and development of Special Purpose Facilities and Maintenance/Manufacturing Facilities and facilities constituting a discrete portion of the Airport Facilities financed by revenues other than Revenues and Net Revenues.

(b) Notwithstanding the provisions of paragraph (a) of this section, if the Authority determines that any real property or structure constituting a part of the Airport Facilities or attributable in whole or in part to the Airport Facilities has become inadequate or unsuitable, the Authority shall then have the right to demolish or remove such property and, to the extent permitted by law, may sell or otherwise dispose of all or a part of the same, if the Authority shall construct, acquire, replace or substitute real property or structures having a utility value to the Authority at least equal to that of the property demolished or removed.

(c) The Authority may lease, as lessor, all or any part of the Airport Facilities, or contract or agree for the performance by others of operations or services on or in connection with the Airport Facilities or any part thereof, for any lawful purpose, provided (i) the Authority shall remain fully obligated and responsible under this Indenture to the same extent as if such lease, contract or agreement, or any amendment or rescission thereof, had not been executed, and (ii) the obligation of the Authority under such lease, contract or agreement shall not, in the reasonable judgment of the Authority, impair the performance of the Authority's obligations under this Indenture.

Section 11.7 To Keep Airport Facilities Free from Prior Liens. The Authority will keep the Airport Facilities free from all liens and encumbrances prior to the pledge hereof (other than Permitted Encumbrances), but it may defer payment pending the bona fide contest of any claim unless the Trustee shall be of the opinion (which may be based on the advice of its counsel) that by such action any part of the Airport Facilities shall be subject to loss or forfeiture, in which event any such payment then due shall not be deferred. Nothing herein contained shall be construed to prevent the Authority from hereafter (i) purchasing additional property on conditional or lease sale contract or subject to vendor's lien or purchase money mortgage, and, as to all property so purchased, the pledge herein made shall be subject and subordinate to such conditional or lease sale contract, vendor's lien or purchase money mortgage, (ii) pledging and granting a security interest in the rentals or other payments received by the Authority under a lease of Special Purpose Facilities, assigning such lease and/or granting a mortgage on Special Purpose Facilities to secure the financing thereof as contemplated in Section 11.11, such Special Purpose Facilities and rental charged by the Authority for the land upon which a Special Purpose Facility is constructed not being subject to the lien of this Indenture and the rentals or other payments (including debt service) from financing such Special Purpose Facilities not being subject to the lien of this Indenture to the extent and for so long as such payments are pledged to secure such financing, (iii) pledging and granting a security interest in the rentals or other payments received by the Authority under a lease of Maintenance/Manufacturing Facilities, assigning such lease and/or granting a mortgage on Maintenance/Manufacturing Facilities to secure the financing thereof as contemplated in Section 11.12, such Maintenance/Manufacturing Facilities and rental charged by the Authority for the land upon which a Maintenance/Manufacturing Facility is constructed not being subject to the lien of this Indenture and the rentals or other payments (including debt service) from financing such Maintenance/Manufacturing Facilities not being subject to the lien of this Indenture to the extent and for so long as such payments are pledged to secure such financing, (iv) pledging and granting a security interest in revenues other than Revenues and Net Revenues to secure the financing contemplated in item (i) of Section 11.13(c) and, to the extent such revenues are generated from facilities constituting a discrete portion of the Airport Facilities, granting a security interest in, and /or a mortgage on, such facilities constituting a discrete portion of the Airport Facilities, and (v) pledging and granting a security interest in Net Revenues to secure the subordinate financing contemplated in item (ii) of Section 11.13(c).

Section 11.8 To Repay Advances, Etc., by Trustee. The Authority will discharge, pay or satisfactorily provide to the Trustee all liabilities, expenses and advances reasonably incurred, disbursed or made by the Trustee in the execution of the trusts hereby created, and it will from time to time pay to the Trustee reasonable compensation for the Trustee's services hereunder, including extra compensation for unusual or extraordinary services. All such liabilities, expenses, advances and compensation shall be secured hereby, shall be entitled to priority of payment over any of the Bonds and shall bear interest until paid at a per annum rate of interest equal to the lesser of (i) the Base Rate plus 2% or (ii) the highest amount then allowed by law, from the respective dates on which such liabilities, expenses and advances are incurred, disbursed or made, and on which such compensation shall be earned.

Section 11.9 To Permit Inspection of Airport Facilities by Trustee. The Authority will permit the Trustee to inspect, at any reasonable time and upon reasonable prior notice, the

Airport Facilities and the books and records of the Authority appertaining thereto and will assist in furnishing facilities for such inspection.

Section 11.10 Concerning Preservation of Tax-Exempt Status of Series 2020 Bonds.

The Authority will (a) in a timely manner, make all required rebate payments on the Series 2020 Bonds required by the provisions of Section 148(f) of the Code and any applicable regulations and take such other action as shall be necessary, under the provisions of the Code and any applicable regulations, to preserve the exemption of the interest on the Series 2020 Bonds from gross income of the recipients thereof for federal income tax purposes, and (b) refrain from taking any action that would, under the Code and any applicable regulations, result in the interest on any of the Series 2020 Bonds being or becoming subject to gross income of the recipients thereof for federal income tax purposes. Further, and without in any way limiting the generality of the foregoing,

(i) the Authority will not apply the proceeds from the Series 2020 Bonds or use the facilities refinanced by the Series 2020 Bonds in a manner that would cause any of the Series 2020 Bonds to cease to be "qualified private activity bonds" within the meaning of the Code;

(ii) the Authority will not make any investment of any moneys on deposit in any of the special funds created under the Indenture if, as a result thereof, any of the Series 2020 Bonds would be considered an "arbitrage bond" within the meaning of Section 103(b)(2) and 148 of the Code and any applicable regulations.

Section 11.11 Concerning Special Purpose Facilities. The Authority may finance facilities from the proceeds of bonds or other obligations issued by the Authority without regard to any requirements of this Indenture with respect to the issuance of Additional Bonds, subject, however, to the following conditions:

(a) Such obligations shall be payable solely from rentals or other payments derived by the Authority under a lease or other agreement entered into between the Authority and the person, firm, corporation or other entity which will be utilizing the facilities to be financed;

(b) There shall be filed with the Trustee prior to the issuance of such obligations a certificate of an Authorized Authority Representative certifying that the estimated rentals or other payments to be derived by the Authority from the lease or other agreement with respect to the facilities to be financed will be at least sufficient to pay the principal of and interest on such obligations, all costs of operating and maintaining such facilities and all sinking fund, reserve or other payments required by the resolution or indenture securing such obligations; and

(c) There shall be filed with the Trustee prior to the issuance of such obligations a report of an Independent Airport Consultant, estimating or expressing the opinion that the construction and operation of such facilities

either (i) will not decrease the Net Revenues, or (ii) will not cause Net Revenues during any Fiscal Year covered by such report (which shall cover a period extending at least through the three Fiscal Years following the Fiscal Year during which such Special Purpose Facilities will be completed) to be less than 1.25 times the Maximum Annual Debt Service Requirement during the then current or any then succeeding Fiscal Year.

Section 11.12 Concerning Maintenance/Manufacturing Facilities. The Authority may finance Maintenance/Manufacturing Facilities from the proceeds of bonds or other obligations issued by the Authority without regard to any requirements of this Indenture with respect to the issuance of Additional Bonds, subject, however, to the following conditions:

(a) Such obligations shall be payable solely from rentals or other payments derived by the Authority under a lease entered into between the Authority and the person, firm or corporation which will be utilizing the Maintenance/Manufacturing Facilities to be financed;

(b) There shall be filed with the Trustee prior to the issuance of such obligations a certificate of an Authorized Authority Representative, certifying that the estimated rentals or other payments to be derived by the Authority from the lease with respect to the Maintenance/Manufacturing Facilities to be financed will be at least sufficient to pay the principal of and interest on such obligations, all costs of operating and maintaining such Maintenance/Manufacturing Facilities and all sinking fund, reserve or other payments required by the resolution or indenture securing such obligations; and

(c) There shall be filed with the Trustee prior to the issuance of such obligations a report of an Independent Airport Consultant, estimating or expressing the opinion that the construction and operation of such Maintenance/Manufacturing Facilities either (i) will not decrease the Net Revenues, or (ii) will not cause Net Revenues during any Fiscal Year covered by such report (which shall cover a period extending at least through the three Fiscal Years following the Fiscal Year during which such Maintenance/Manufacturing Facilities will be completed) to be less than 1.25 times the Maximum Annual Debt Service Requirement during the then current or any then succeeding Fiscal Year.

Section 11.13 Issuance of Additional Bonds; Incurrence of Working Capital Indebtedness and Other Debt. (a) Subject to the conditions hereinafter provided, the Authority shall have the right to issue Additional Bonds for any purpose for which the Authority may lawfully incur indebtedness if, prior to such issuance, the Authority shall have first met the following conditions.

(1) The Authority shall not be in default in the payment of principal of or interest on any Bonds at the time outstanding hereunder or in making any payment at the time required to be made into the respective funds and accounts

created by and referred to in this Indenture (unless such Additional Bonds are being issued to provide funds to cure such default); and

(2) Prior to issuance of such Additional Bonds, there is delivered to the Trustee either (A) a certificate of an Independent Auditor certifying that, for the most recently completed Fiscal Year for which audited financial statements are then available, the sum of (x) the Net Revenues for such Fiscal Year, and (y) the aggregate amount of moneys other than Revenues deposited into the Bond Fund during such Fiscal Year (including PFC Monies deposited into the Bond Fund pursuant to Section 9.1) was not less than 125 % of the Maximum Annual Debt Service Requirement during the then current Fiscal Year or any then succeeding Fiscal Year with respect to the Bonds that will be outstanding immediately following the issuance of the then proposed Additional Bonds; or (B) a report of an Independent Airport Consultant to the effect that, taking the proposed Additional Bonds into account, the requirements of Section 11.4(a) will be projected to be satisfied for (I) in the case of Additional Bonds to finance Capital Improvements, (a) the earlier to conclude of (i) each of the first three full Fiscal Years succeeding the date on which such Capital Improvements 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 Capital Improvements, each of the first five Fiscal Years succeeding the date on which such Additional Bonds are issued.

(3) Notwithstanding the provisions of paragraph (2) above, Completion Bonds may be issued, without satisfaction of the provisions of either clause (A) or clause (B) of paragraph (2) immediately above, if the principal amount of such proposed Completion Bonds does not exceed 15% of the principal amount of the Bonds originally issued to finance the acquisition, construction or equipping of the facilities for the completion of which such Completion Bonds are proposed to be issued; provided, Completion Bonds may be issued in excess of 15% of such principal amount if one of the tests (either clause (A) or clause (B)) set forth in of paragraph (2) immediately above is satisfied.

(4) Notwithstanding the provisions of paragraph (2) above, Additional Bonds may be issued, without satisfaction of the provisions of either clause (A) or clause (B) of paragraph (2) immediately above, for the purpose of refunding all or any part of the outstanding Bonds, if the 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 debt service payable in each such Fiscal Year with respect to all Bonds outstanding immediately prior to the issuance of such Additional Bonds.

(b) Without satisfying the conditions applicable to the issuance of Additional Bonds, Working Capital Indebtedness may be incurred by the Authority from time to time in the

ordinary course of business if, immediately after the incurrence of any such indebtedness, the aggregate principal amount of all outstanding Working Capital Indebtedness does not exceed 10% 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 twenty (20) consecutive calendar days in each Fiscal Year no such Working Capital Indebtedness shall be outstanding.

(c) In addition to Additional Bonds issued in compliance with Section 11.13(a), Working Capital Indebtedness incurred in compliance with Section 11.13(b), bonds or other obligations to finance Special Purpose Facilities issued in compliance with Section 11.11 and bonds or other obligations to finance Maintenance/Manufacturing Facilities issued in compliance with Section 11.12, the Authority, without satisfying the conditions applicable to the issuance of Additional Bonds, the incurrence of Working Capital Indebtedness, the issuance of bonds or other obligations to finance Special Purpose Facilities or the issuance of bonds or other obligations to finance Maintenance/Manufacturing Facilities, may issue, at any time and from time to time, in one or more series, (i) bonds or other obligations payable from and secured by revenues other than Revenues and Net Revenues, and (ii) bonds or other obligations, including revenue anticipation notes, payable from and secured by Net Revenues on a basis subordinate to the Bonds.

(d) The Authority hereby covenants not to issue or incur any indebtedness that will have a lien on Net Revenues prior to the lien established by this Indenture.

ARTICLE XII

PROVISIONS RESPECTING INSURANCE AND CONDEMNATION

Section 12.1 Insurance on Airport Facilities Properties. (a) The Authority will carry and maintain insurance with respect to the Airport Facilities and its operations against such casualties, contingencies and risks (including but not limited to property and casualty, fire and extended coverage insurance upon all of the properties forming a part of the Airport insofar as the same are of an insurable nature, public liability, rental value, business interruption or use and occupancy insurance, workers' compensation and employee dishonesty insurance), such insurance to be of the character and coverage and in such amounts as would normally be carried by other airports operating facilities of comparable size and similarly situated.

(b) The Authority shall be entitled to provide the coverage required by this section through Qualified Self Insurance, provided that the requirements hereinafter set forth in this section are satisfied. Each plan of Qualified Self Insurance shall be established in accordance with applicable State law, shall provide that upon the termination of such plan reserves will be established or insurance acquired in amounts adequate to cover any potential retained liability in respect of the period of Qualified Self Insurance, and shall be reviewed at least once every year by an Insurance Consultant or registered actuary who shall deliver to the Authority a report on the adequacy of the reserves established thereunder in light of claims made. If the Insurance Consultant or actuary determines that such reserves are inadequate in light of the claims made, such consultant shall make a recommendation as to the amount of reserves that should be established and maintained, and the Authority shall comply with such recommendation unless it can establish to the satisfaction of, and receives a certification from, an alternate Insurance Consultant that such recommendation is unreasonable in light of the nature of the claims or the history of recovery against the Authority for similar claims.

(c) The Net Insurance Proceeds (other than proceeds respecting Special Purpose Facilities, Maintenance/Manufacturing Facilities and facilities constituting a discrete portion of the Airport Facilities financed by revenues other than Revenues and Net Revenues) or paid in satisfaction of any claim made under policies providing the coverage for fire and casualty (other than paid in connection with Special Purpose Facilities, Maintenance/Manufacturing Facilities or facilities constituting a discrete portion of the Airport Facilities financed by revenues other than Revenues and Net Revenues) shall be applied as provided in Section 12.3 hereof.

(d) The premiums payable on all insurance required to be carried by the provisions hereof shall constitute a part of the expense of operating the Airport.

Section 12.2 Notice of Taking; Cooperation of Parties. (a) If any public authority or entity attempts to take or damage all or any part of the Airport Facilities through Eminent Domain proceedings, the Authority shall take prompt and appropriate measures to protect and enforce its rights and interests and those of the Trustee and the Bondholders in connection with such proceedings. Upon receiving notice of the institution of Eminent Domain proceedings by any public instrumentality, body, agency or officer, the Authority shall deliver written notice

thereof to the Trustee. Any Net Condemnation Awards resulting from Eminent Domain proceedings shall be applied in accordance with the provisions of Section 12.3 hereof.

Section 12.3 Insurance and Eminent Domain Proceeds. All Net Insurance Proceeds and all Net Condemnation Awards, other than those paid in connection with Special Purpose Facilities, Maintenance/Manufacturing Facilities or facilities constituting a discrete portion of the Airport Facilities financed by revenues other than Revenues and Net Revenues, shall be paid to the Trustee and shall be applied at the election of the Authority, as follows:

(1) to promptly replace, repair, rebuild or restore the Airport Facilities to substantially the same condition as that which existed prior to such damage, destruction or taking, with such alterations and additions as the Authority may determine and as will not impair or otherwise adversely affect the revenue-producing capability of the Airport Facilities, provided that, in the event the total amount of such Net Insurance Proceeds or Net Condemnation Award, as the case may be, exceeds \$5,000,000, prior to the commencement of such replacement, repair, rebuilding or restoration, the Authority shall deliver to the Trustee a report of an Independent Airport Consultant setting forth (A) an estimate of the total cost of the same, (B) the estimated date upon which such replacement, repair, rebuilding or restoration will be substantially complete, and (C) a statement to the effect that the Net Insurance Proceeds or Net Condemnation Awards, as the case may be, together with other funds made available or to be made available by the Authority, are projected to be sufficient to pay the costs of the replacement, repair, rebuilding or restoration of the Airport Facilities; or

(2) to pay principal of the Bonds, provided that Net Insurance Proceeds and Net Condemnation Awards may be used to pay principal of the Bonds only if (A) the Airport Facilities have been replaced, repaired, rebuilt or restored to substantially the same condition as prior to such damage, destruction or taking; or (B) the Authority has determined that the portion of the Airport Facilities damaged, destroyed or taken is not necessary to the operation of the Airport Facilities and that the failure of the Authority to replace, repair, rebuild or restore the same will not impair or otherwise adversely affect the revenue-producing capability of the Airport Facilities.

If the Authority does not apply the Net Insurance Proceeds or Net Condemnation Awards, as the case may be, to replace, repair, rebuild or restore the Airport Facilities, the Trustee shall deposit such moneys not used to replace, repair, rebuild or restore the Airport Facilities into the Bond Fund and shall use such moneys to pay principal of the Bonds when due, whether by maturity or otherwise, exhausting all such moneys before using other moneys in the Bond Fund for such purpose.

If the Authority elects to apply the Net Insurance Proceeds or Net Condemnation Award, as the case may be, to replace, repair, rebuild or restore the Airport Facilities, the Trustee shall create and establish a construction fund in the name of the Authority, shall transfer such moneys to such construction fund, and shall make disbursements therefrom in accordance with written direction from the Authority.

Section 12.4 Independent Auditor, Insurance Consultant and Independent Airport Consultant. All fees and charges of any Independent Auditor, Insurance Consultant or Independent Airport Consultant, including without limitation any costs or expenses incurred by any such Independent Auditor, Insurance Consultant or Independent Airport Consultant which are payable by the Authority, shall constitute Operating Expenses for purposes of this Indenture.

ARTICLE XIII

EVENTS OF DEFAULT AND REMEDIES OF TRUSTEE AND BONDHOLDERS

Section 13.1 Events of Default Defined. Any of the following shall constitute a default hereunder by the Authority:

(a) The failure by the Authority to pay the principal of, the interest on or the premium (if any) on any Bond as and when the same become due as therein and herein provided (whether such shall become due by maturity or otherwise);

(b) The failure by the Authority to commence the repair or replacement of any material portion of the Airport Facilities that may be damaged or destroyed and that is necessary to the continued and efficient operation of the Airport Facilities and the ability of the Authority to observe its covenant in Section 11.4 hereof, within two hundred seventy days after the occurrence of such damage or destruction;

(c) The sale, lease or other disposition by the Authority of the Airport Facilities in violation of the provisions of the Indenture;

(d) The failure by the Authority to perform and observe any of the agreements and covenants on its part herein contained (other than in the manner described in (a), (b) and (c) above) which such failure continues for a period of not less than thirty (30) days after written notice of such failure has been given to the Authority by the Trustee or by the Holders of not less than a majority in Outstanding Amount of the Bonds then outstanding and secured hereby, unless during such period or any extension thereof the Authority has commenced and is diligently pursuing appropriate corrective action; or

(e) The determination by a court having jurisdiction that the Authority is insolvent or bankrupt, or the appointment by a court having jurisdiction of a receiver for the Airport Facilities, or the approval by a court of competent jurisdiction of any petition for reorganization of the Airport Facilities or rearrangement or readjustment of the obligations of the Authority under any provisions of the bankruptcy laws of the United States.

Section 13.2 Remedies on Default. Upon an default as described in subparagraphs (a) and (e) of the preceding Section 13.1 hereof, the Trustee shall have the following rights and remedies:

(a) **Acceleration.** The Trustee may, by written notice to the Authority, declare the Outstanding Amount of and the interest accrued on all of the outstanding Bonds forthwith due and payable, and such Outstanding Amount and

interest shall thereupon become and be immediately due and payable, anything herein or in the Bonds to the contrary notwithstanding; provided, however, that a Supplemental Indenture authorizing a series of Additional Bonds secured in whole or in part by a Credit Facility may provide that the right of the Trustee to accelerate the maturity of the Bonds of that series (or the portion thereof secured by such Credit Facility) is subject to the consent of the Credit Facility Obligor issuing such Credit Facility. If, however, the Authority cures that default and every other default hereunder (except for those installments of Outstanding Amount and interest declared due and payable that would, absent such declaration, not be due and payable), with interest on all overdue payments of Outstanding Amount and interest, and makes reimbursement of all the reasonable expenses of the Trustee, then the Trustee may (and, if requested in writing by the Holders of a majority in Outstanding Amount of the then outstanding Bonds, shall), by written notice to the Authority, waive such default and its consequences, but no such waiver shall affect any subsequent default or right relative thereto.

(b) **Suits at Law or in Equity.** The Trustee is empowered (i) to sue on the Bonds, (ii) by mandamus, suit or other proceeding, to enforce all agreements of the Authority herein contained, including the fixing of rates, the collection and proper segregation of the Revenues from the Airport Facilities and the proper application thereof, (iii) by action or suit in equity, to require the Authority to account as if it were the trustee of an express trust for the Holders of the Bonds, and (iv) by action or suit in equity, to enjoin any action or things which may be unlawful or a violation of the rights of the Holders of the Bonds.

(c) **Receivership.** The Trustee shall be entitled to and shall have, regardless of the sufficiency of any security or the availability of any other remedy, the appointment of a receiver to oversee and administer the collection and application of Net Revenues from the Airport Facilities.

Upon an event of default as described in subparagraphs (b), (c) and (d) of the preceding Section 13.1, the Trustee shall have the rights and remedies as described above in subparagraphs (b) and (c) of this Section 13.2.

Nothing herein contained, however, shall be construed to give any authority to the Trustee or the Holders of any of the Bonds to compel a sale of the Airport Facilities, or any part thereof, and no foreclosure proceedings or sale shall ever be had under the authority of this Indenture with respect to the Airport Facilities or any part thereof.

Section 13.3 Disposition of Receivership Moneys. All moneys received from the operation of the Airport Facilities by a receiver shall, after payment of all costs of the receivership, including receiver's fees and the fees and expenses of his or her attorney, the costs of administration and operation of the Airport Facilities and the maintenance thereof in good repair and all charges and expenses of the Trustee under the Indenture, be applied as follows:

(a) Unless the principal of all 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 outstanding 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 Outstanding Amount of and premium, if any, on any of the outstanding 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 this Indenture), in the order of the maturities of such Outstanding Amount and premium, with interest on overdue installments of Outstanding Amount and premium, if any, and, if the amount available shall not be sufficient to pay in full all such Outstanding Amount (and premium, if any) due on any particular date, together with such interest, then to the payment of such Outstanding Amount, premium (if any) and interest ratably, without any discrimination or privilege;

THIRD: to fund or replenish any deficiency in the Reserve Fund or reimburse issuers of Reserve Fund Credit Facilities in the event that any Bonds are secured by the Reserve Fund; and

FOURTH: the surplus, if any there be, into the Bond Fund, to such extent as will result in there being on deposit therein the amount 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 Outstanding Amount of all the Bonds shall have become or been declared due and payable, all such moneys shall be applied as follows:

FIRST: to the payment of the Outstanding Amount and interest then due and unpaid upon the Bonds (with interest on overdue Outstanding Amount and interest), without preference or priority of Outstanding Amount over interest or of interest over Outstanding Amount, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for Outstanding Amount and interest, to the persons entitled thereto without any discrimination or privilege; provided, however, that if the Outstanding Amount of all the Bonds shall have been declared due and payable and if such declaration shall thereafter have been rescinded under the provisions of Section 13.2 hereof, then, subject to the provisions of this subsection (b) in

the event that the Outstanding Amount of all the Bonds shall later become or be declared due and payable, such moneys shall be applied in accordance with the provisions of subsection (a) of this Section 13.3; and

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

Whenever moneys are to be applied pursuant to the provisions of this Section 13.3, such moneys shall be applied at such time or times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made, and upon such date interest on the Outstanding Amount and interest to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and shall not be required to make payment to the holder of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 13.4 Remedies Vested in Trustee. All remedies hereunder are vested exclusively in the Trustee for the equal and pro rata benefit of all the Holders of the Bonds, unless the Trustee refuses or neglects to act within a reasonable time after written request so to act addressed to the Trustee by the Holders of a majority in Outstanding Amount of Bonds, accompanied by indemnity satisfactory to the Trustee, in which event the Holder of any of the Bonds may thereupon so act in the name and behalf of the Trustee or may so act in his own name in lieu of action by or in the name and behalf of the Trustee. Except as above provided, no Holder of any of the Bonds shall have the right to enforce any remedy hereunder, and then only for the equal and pro rata benefit of the Holders of all the Bonds.

Notwithstanding any other provisions hereof, the right of the Holder of any Bond, which is absolute and unconditional, to receive payment of the principal of and the interest (and premium, if any) on such Bond on or after the due date thereof, but solely from the Net Revenues from the Airport Facilities as therein and herein expressed, or to institute suit for the enforcement of such payment on or after such due date, or the obligation of the Authority, which is also absolute and unconditional, to pay, but solely from said proceeds and revenues, the principal of and the interest (and premium, if any) on the Bonds to the respective Holders thereof at the time and place in said Bonds expressed, shall not be impaired or affected without the consent of such Holder; provided, however, that no Holder shall be entitled to take any action or institute any such suit to enforce the payment of his Bonds, whether for principal, interest or premium, if and to the extent that the taking of such action or the institution or prosecution of any such suit or the entry of judgment therein would under applicable law result in a surrender, impairment, waiver or loss of the lien hereof upon the Net Revenues from the Airport Facilities, or any part thereof, as security for the Bonds held by any other Holder.

When the Trustee incurs costs or expenses (including the fees and expenses of its counsel) or renders services after the occurrence of an event of default, such costs and expenses and the compensation for such services are intended to constitute expenses of administration under

any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

Section 13.5 Delay No Waiver. No delay or omission by the Trustee or by any Holder to exercise any available right, power or remedy hereunder shall impair or be construed a waiver thereof or an acquiescence in the circumstances giving rise thereto; every right, power or remedy given herein to the Trustee or to the Holders may be exercised from time to time and as often as deemed expedient.

Section 13.6 Remedies Cumulative. No remedy herein provided for, or herein reserved to the Trustee or to the Holders of the Bonds, is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

ARTICLE XIV

CONCERNING THE TRUSTEE

Section 14.1 Acceptance of Trusts. The Trustee, prior to the occurrence of an event of default and after the curing of all events of default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations should be read into this Indenture against the Trustee. If any event of default under this Indenture shall have occurred and be continuing, the Trustee shall perform such duties and exercise such rights and powers vested in it by this Indenture and shall use the same degree of care as a prudent person would exercise or use in the circumstances in the conduct of such prudent person's own affairs, subject to the following terms and conditions:

(a) It shall not be liable hereunder except for its willful misconduct or its negligence.

(b) It may execute any of the trusts and powers conferred on it hereunder or perform any duty hereunder either directly or through agents and attorneys in fact who are not regularly in its employ and who are selected by it with reasonable care.

(c) It may consult its counsel on any matters connected herewith and shall not be answerable for any action taken or failure to take any action in good faith on the advice of its counsel, provided that its action or inaction is not contrary to any express provision hereof.

(d) It need not recognize a Holder of a Bond as such without the satisfactory establishment of the title of such Holder to such Bond.

(e) It shall not be answerable for any action taken in good faith on any notice, request, consent, certificate or other paper or document which it believes to be genuine and signed or acknowledged by the proper party.

(f) It need not notice any default hereunder, except a default in the payment of the principal of and the interest (and premium, if any) on the Bonds, unless requested so to do by the Holders of a majority in Outstanding Amount of the Bonds then outstanding and secured hereby.

(g) In the event of default by the Authority hereunder, the Trustee need not exercise any of its rights or powers specified in Section 13.2 hereof or take any action under said Section 13.2 unless requested in writing so to do by the Holders of a majority in Outstanding Amount of Bonds; it may exercise any such rights or powers or take any such action, if it thinks advisable, without any such request; it shall do so when so requested; provided that the furnishing of indemnity, satisfactory to the Trustee, against its prospective liabilities and expenses (including the fees and expenses of its counsel) by the Holders

requesting any action by the Trustee under said Section 13.2 shall be a condition precedent to the duty of the Trustee to take or continue any action under said Section 13.2 which in the opinion of the Trustee would involve it in any such liabilities or expenses. Whenever it has a choice of remedies under said Section 13.2 or a discretion as to details in the exercise of its powers thereunder, it must follow any specific directions given by the Holders of a majority in Outstanding Amount of Bonds, anything therein or herein to the contrary notwithstanding, unless the observance of such directions would, in the opinion of the Trustee (as evidenced by an opinion of its counsel), unjustly prejudice the non-assenting Holders.

(h) It shall be entitled to reasonable compensation for its services hereunder, including extra compensation for unusual or extraordinary services.

(i) Any action taken by the Trustee at the request of and with the consent of the Holder of a Bond will bind all subsequent Holders of the same Bond and any Bond issued hereunder in lieu thereof.

(j) It may be the Holder of Bonds as if not Trustee hereunder.

(k) It shall not be liable for the proper application of any moneys other than those that may be paid to or deposited with it.

(l) It shall not unreasonably withhold or delay any consent or approval required of it under the provisions hereof.

(m) All moneys received by the Trustee to be held by it hereunder shall be held as trust funds until disbursed in the manner herein provided therefor, and the Trustee hereby knowingly, voluntarily and irrevocably waives any right of set-off, recoupment or similar remedy otherwise available to the Trustee which would result in the use of such moneys in a manner other than as provided in this Indenture. The Trustee shall not be liable to pay or allow interest thereon or otherwise to invest any such moneys except as specifically required herein.

(n) It may make any investments permitted hereby through its own investment department or its affiliates and may charge its ordinary and customary fees for such trades, and any certificates of deposit issued or held by it hereunder shall be deemed investments and not deposits. The Trustee may conclusively rely upon the Authority's written instructions as to both the suitability and legality of the directed investments. Ratings of investments shall be determined at the time of purchase of such investments and without regard to ratings subcategories. The Trustee shall have no responsibility to monitor the ratings of investments after the initial purchase of such investments. In the absence of written investment instructions from the Authority, the Trustee shall not be responsible or liable for keeping the moneys held by it hereunder fully invested. Confirmations of investments are not required to be issued by the Trustee for each month in which a monthly statement is rendered and, unless otherwise requested by the Authority,

no statement need be rendered for any fund or account if no activity occurred in such fund or account during such month.

(o) It shall, upon reasonable written request, advise the Authority of the amount at the time on deposit in any of the special funds or accounts herein created.

(p) It shall, upon reasonable written request, issue to the Authority a certificate indicating whether, to the actual knowledge of a Responsible Officer of the Trustee, the Authority is in default under the provisions of the Indenture and, in the event there is such a default, briefly describing the nature thereof.

(q) The recitals of fact herein and in the Bonds are statements by the Authority and not by the Trustee, and the Trustee is in no way responsible for the validity or security of the Bonds, the existence of any part of the Airport Facilities, the value thereof, the title of the Authority thereto, the security afforded hereby or the validity or priority of the pledge herein made.

(r) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(s) Notwithstanding the effective date of this Indenture or anything to the contrary in this Indenture, the Trustee shall have no liability or responsibility for any act or event relating to this Indenture which occurs prior to the date the Trustee formally executes this Indenture and commences acting as Trustee hereunder.

(t) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds and shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

(u) None of the provisions of this Indenture shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

(v) The Trustee shall not be responsible or liable for any failure or delay in the performance of its obligation under this Indenture arising out of or caused, directly or indirectly, by circumstances beyond its reasonable control, including, without limitation, acts of God; earthquakes; fire; flood; hurricanes or other storms; wars; terrorism; similar military disturbances; sabotage; epidemic; pandemic; riots; interruptions, loss or malfunctions of utilities, computer (hardware or software) or communications services; accidents; labor disputes; acts of civil or military authority or governmental action; it being understood that

the Trustee shall use commercially reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as reasonably practicable under the circumstances.

(w) The Trustee shall have the right to accept and act upon directions or instructions given by the Authority and delivered using Electronic Means (defined below); provided, however, that the Authority shall provide to the Trustee an incumbency certificate listing Authorized Authority Representatives, which shall have the authority to provide such directions or instructions and shall contain specimen signatures of such Authorized Authority Representatives, which incumbency certificate shall be amended whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee directions or instructions using Electronic Means and the Trustee in its discretion elects to act upon such directions or instructions, the Trustee's understanding of such directions or instructions shall be deemed controlling. The Authority understands and agrees that the Trustee cannot determine the identity of the actual sender of such directions or instructions and that the Trustee shall conclusively presume that directions or instructions that purport to have been sent by an Authorized Authority Representative listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Authority Representative. The Authority shall be responsible for ensuring that only Authorized Authority Representatives transmit such directions or instructions to the Trustee and that all Authorized Authority Representatives treat applicable user and authorization codes, passwords and/or authentication keys as confidential and with extreme care. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such directions or instructions notwithstanding such directions or instructions conflict or are inconsistent with a subsequent written direction or written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit directions or instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized directions or instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting directions or instructions to the Trustee and that there may be more secure methods of transmitting directions or instructions; (iii) that the security procedures (if any) to be followed in connection with its transmission of directions or instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures. "Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys, or another method or system specified by the Trustee as available for use in connection with its services hereunder.

(x) The Trustee may conclusively rely upon as genuine any notice, direction, consent, opinion, certificate or other document provided to it pursuant

to the terms of this Indenture which the Trustee in good faith believes to have been signed by the proper person or persons.

(y) The Trustee shall have no duty to review or any financial statements delivered to it or to verify the accuracy thereof and shall hold such financial statements solely as a repository for the benefit of the Bondholders; and the Trustee shall not be deemed to have notice of any information contained therein or event of default which may be disclosed therein in any manner.

Section 14.2 Trustee Authorized to Pay Certain Charges. Without relieving the Authority from the consequences of any default in connection therewith, the Trustee may pay any charge which the failure of the Authority to pay has made or will make an encumbrance or lien on the Airport Facilities or on the Revenues therefrom prior to the pledge of the Net Revenues herein made, and in the event the Authority shall fail to take out or cause to be taken out insurance on or with respect to the Airport Facilities to the extent required by the Indenture, the Trustee may take out any such insurance on or with respect to the Airport Facilities that the Authority has failed to furnish or cause to be furnished and may pay the premiums thereon; provided that in each case (a) the Trustee first gives to the Authority such notice as is reasonable under the circumstances of the Authority's failure to pay or cause to be paid such charge or take out or cause to be taken out such insurance, and (b) the Authority does not within such time thereafter as the Trustee deems reasonable under the circumstances pay or cause to be paid such charge or take or cause to be taken out such insurance. The Trustee, however, shall not be required to pay any such charge or take out any such insurance, and it shall not be liable in any manner for any failure to do so. All sums expended by the Trustee under the provisions of this section shall be secured by the Indenture, shall bear interest at a per annum rate of interest equal to the lesser of (i) the Base Rate plus 2% or (ii) the highest rate of interest then permitted by law from the date of payment thereof, and shall be entitled to priority of payment over the principal of or the interest (or premium, if any) on any of the Bonds. The Authority will reimburse the Trustee on demand for all sums so expended by the Trustee, together with interest at said rate.

Section 14.3 Trustee May Institute Suit, Etc. The Trustee may, in its own name and at any time, institute or intervene in any suit or proceeding for the enforcement of all rights of action (including the right to file proof of claims in connection with any reorganization, bankruptcy, receivership or like proceeding) hereunder or under any of the Bonds, without the necessity of joining as parties to such suit or proceeding any Holders of the Bonds and without the necessity of possessing any of such Bonds or producing same in any trial or other proceedings related to such rights of action. The Holders of the Bonds do hereby appoint the Trustee as their irrevocable agent and attorney in fact for the purpose of enforcing all such rights of action, 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 herein provided.

Section 14.4 Resignation and Discharge of Trustee. The Trustee may resign and be discharged of the trusts hereby created upon thirty (30) days written notice to the Authority and the Holders of the Bonds specifying the effective date of such resignation. The Trustee may at any time be removed by a written instrument upon thirty (30) days written notice signed by the Authority (so long as no event of default exists hereunder) or by Holders of a majority in

Outstanding Amount of the Bonds then outstanding. No resignation or removal of the Trustee shall be effective until the appointment of a successor as provided below. If the Trustee shall resign or be removed, it shall be reimbursed for all its proper prior expenses reasonable under the circumstances and that would be due under this Indenture.

Section 14.5 Appointment of Successor Trustee. If the Trustee shall resign, be removed, be placed by a court or governmental authority under the control of a receiver or other public officer or otherwise become incapable of acting, a successor may be appointed by a written instrument signed by the Holders of a majority in Outstanding Amount of the Bonds and in the interim by an instrument executed by the Authority, such interim successor Trustee to be immediately and ipso facto superseded by the one appointed as above by the said Holders. The Authority shall give written notice of such interim appointment, in the event such is made, to the Holders of the Bonds, and when the appointment of a successor Trustee, as selected by the Holders of a majority in Outstanding Amount of the Bonds, becomes effective, such successor Trustee shall give written notice of that fact to the Holders of the Bonds. Any successor Trustee shall be a bank or trust company authorized to administer trusts and having, at the time of its acceptance of such appointment combined capital, surplus and undivided profits of at least \$100,000,000. If no successor Trustee shall have been appointed and accepted appointment within sixty (60) days of the resignation, removal, or the occurrence of a vacancy in the office of Trustee in the manner herein provided, the Trustee or any Holder may petition any court of competent jurisdiction for the appointment of a successor Trustee until a successor shall have been appointed as above provided.

Section 14.6 Concerning Any Successor Trustee. Any successor Trustee shall execute and deliver to the Authority an instrument accepting the trusts and shall thereupon ipso facto succeed to all the estate and title of the retiring Trustee under the Indenture and to its rights, powers and responsibilities hereunder. The Authority will, upon request of the successor Trustee, execute and deliver to it any instrument reasonably requested in further assurance thereof. Any successor Trustee may effectively adopt the authentication certificate of a predecessor Trustee on Bonds already authenticated and not delivered, and may so deliver them; and it may effectively authenticate Bonds in its own name.

ARTICLE XV

AUTHORIZATION OF SUPPLEMENTAL INDENTURES AND MODIFICATION OF THE INDENTURE

Section 15.1 Supplemental Indentures without Bondholder Consent. The Authority and the Trustee may at any time and from time to time enter into such Supplemental Indentures (in addition to such Supplemental Indentures as are otherwise provided for herein or contemplated hereby) as shall not be inconsistent with the terms and provisions hereof, for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority herein contained other covenants and agreements thereafter to be observed and performed by the Authority, provided that such other covenants and agreements shall not either expressly or impliedly limit or restrict any of the obligations of the Authority contained in the Indenture;

(b) in connection with the issuance of Additional Bonds in compliance with the provisions of Section 8.2 of this Indenture; or

(c) to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provision contained in the Indenture or in any Supplemental Indenture or to make any provisions with respect to matters arising under the Indenture or any Supplemental Indenture for any other purpose if such provisions are necessary or desirable and are not inconsistent with the provisions of the Indenture or any Supplemental Indenture and do not adversely affect the interests of the Holders of the Bonds.

Any Supplemental Indenture entered into under the provisions of and pursuant to this section shall not require the consent of any Holders of the Bonds.

Section 15.2 Supplemental Indentures Requiring Bondholder Consent. In addition to those Supplemental Indentures permitted by Section 15.1 hereof, the Authority and the Trustee may, at any time and from time to time, with the written consent of the Holders of not less than 66-2/3% in Outstanding Amount of the Bonds, enter into such Supplemental Indentures as shall be deemed necessary or desirable by the Authority and the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the Indenture or in any Supplemental Indenture; provided, that, without the written consent of the Holder of each Bond affected, no reduction in the principal amount of, rate of interest on, the premium payable upon the redemption of, or extension of the maturity of any installment of principal of or interest on, any Bond shall be made; and provided, further, that, without the written consent of the Holders of all the Bonds, none of the following shall be permitted:

(a) the creation of a lien or charge on the Airport Facilities or the revenues therefrom ranking prior to or, except in connection with the issuance of Additional Bonds, on a parity with the lien or charge thereon contained herein;

(b) the establishment of preferences or priorities as between the Bonds;

or

(c) a reduction in the Outstanding Amount of Bonds the Holders of which are required to consent to such Supplemental Indenture.

Upon the execution of any Supplemental Indenture under and pursuant to the provisions of this section, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Holders of the Bonds then outstanding shall thereafter be determined, exercised and enforced hereunder, subject in all respects to such modifications and amendments.

Section 15.3 Execution of Supplemental Indentures. The Trustee is authorized to join with the Authority in the execution of any Supplemental Indenture authorized under the provisions of this article and to make the further agreements and stipulations which may be contained therein, but the Trustee shall not be obligated to enter into any such Supplemental Indenture which affects its rights, duties or immunities under the Indenture. Any Supplemental Indenture executed in accordance with the provisions of this article shall thereafter form a part of the Indenture, and all the terms and conditions contained in such Supplemental Indenture, as to any provisions authorized to be contained therein, shall be deemed to be a part of the terms and conditions of the Indenture for any and all purposes.

Section 15.4 Notices with Respect to Certain Changes in Indenture. If at any time the Authority shall request in writing that the Trustee enter into any Supplemental Indenture requiring the written consent of the Holders of 66-2/3% in Outstanding Amount of the Bonds, the Trustee shall, upon being satisfactorily indemnified with respect to its prospective expenses incident thereto, cause written notice of the proposed Supplemental Indenture to be given to the Holders of the Bonds. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal office of the Trustee for inspection by all Holders. If, within sixty (60) days or such longer period as shall be prescribed by the Authority following the giving of such notice, the Holders of not less than 66-2/3% in Outstanding Amount of the Bonds at the time of the execution of any such Supplemental Indenture shall have consented to and approved the execution thereof as herein provided, no Holder of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Authority from executing the same or from taking any action pursuant to the provisions thereof.

Section 15.5 Discretion of the Trustee. In the case of any Supplemental Indenture authorized under the provisions of this article, the Trustee shall be entitled to exercise its discretion in determining whether or not any proposed Supplemental Indenture, or any term or provision therein contained, is proper or desirable, having in view the purposes of such instrument, the needs of the Authority, the Airport Facilities and the rights and interests of the

Holders of the Bonds, and the Trustee shall not be under any responsibility or liability to the Authority or to any Holder or to anyone whomsoever for any act or thing which it may in good faith do or decline to do under the provisions of this article. The Trustee shall be entitled to receive, and shall be fully protected in relying conclusively upon, an opinion of Independent Counsel acceptable to it as conclusive evidence that any such Supplemental Indenture complies with the provisions of the Indenture and that it is proper for the Trustee acting under the provisions of this article to join in the execution of such Supplemental Indenture.

ARTICLE XVI

PAYMENT AND CANCELLATION OF THE BONDS AND SATISFACTION OF THE INDENTURE

Section 16.1 Satisfaction of Indenture. Whenever the entire indebtedness secured by the Indenture, including all proper charges of the Trustee hereunder, shall have been fully paid, the Trustee shall cancel, satisfy and discharge the Indenture. For purposes of the Indenture, 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 of the Callable Bonds shall also be deemed to have been paid when the Authority shall have deposited with the Trustee the following:

- (a) the applicable Redemption Price of such Bond, including the interest that will accrue thereon to the date on which it is to be redeemed, and
- (b) a certified copy of the Resolution required in Section 6.1 of the Indenture.

In addition, any of the Bonds shall, for purposes of the Indenture, be considered as fully paid if there shall be filed with the Trustee each of the following:

(1) a trust agreement between the Authority and a financial institution (which may but does not have to be the Trustee) making provision for the retirement of such Bonds by creating for that purpose an irrevocable trust fund sufficient to provide for payment and retirement of 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 (i) Federal Securities which will produce funds sufficient so to provide for payment and retirement of all such Bonds, or (ii) both cash and such Federal Securities which together will produce funds sufficient for such purpose, or (iii) cash sufficient for such purpose;

(2) a certified copy of a Resolution calling for redemption of those Bonds (or portions thereof) that, according to said trust agreement, are to be redeemed prior to their respective maturities; and

(3) either (i) a verification report satisfactory to the Trustee to the effect that such Federal Securities and/or cash, together with earnings thereon, will be sufficient to pay interest and principal (and applicable

premium, if any) on the Bonds to redemption or maturity or (ii) an opinion of Independent Counsel satisfactory to the Trustee to the effect that all conditions precedent to the defeasance of the Bonds have been satisfied; provided however, that no such verification report or opinion shall be necessary in the event of a gross defeasance (where the cash and Federal Securities alone are sufficient to pay the debt service on the Bonds without relying on interest earnings) or a current refunding (where the Bonds are to be redeemed within ninety (90) days of the funding of the escrow).

The Trustee is hereby irrevocably authorized to publish or otherwise give notice, in accordance with the requirements of Article VI hereof, of the redemption of any Bonds to be made pursuant to any Resolution required by the preceding provisions of this Section 16.1.

Section 16.2 Cancellation of Paid Bonds. When and as the Bonds are paid, those so paid shall be forthwith cancelled by the Trustee, and upon the written request of the Authority, a certificate of cancellation shall be delivered to the Authority. Likewise all mutilated Bonds replaced by new Bonds shall forthwith be cancelled by the Trustee, and upon the written request of the Authority, a certificate of cancellation shall be delivered to the Authority.

ARTICLE XVII

PROVISIONS RELATING TO BOND INSURANCE

Section 17.1 Bond Insurance Policy. The following provisions shall apply under this Indenture for so long as the Insurance Policy, defined below in this Section 17.1, is in effect for any of the Bonds and the Bond Insurer is not in default of its obligations under the said Insurance Policy, anything in this Indenture to the contrary notwithstanding.

(1) Notice and Other Information to be given to BAM. The Issuer will provide BAM with all notices and other information it is obligated to provide (i) under its Continuing Disclosure Agreement and (ii) to the holders of Insured Obligations or the Trustee under the Security Documents. The notice address of BAM is: Build America Mutual Assurance Company, 200 Liberty Street, 27th Floor, New York, NY 10281, Attention: Surveillance, Re: Policy No. _____, Telephone: (212) 235-2500, Telecopier: (212) 235-1542, Email: notices@buildamerica.com. In each case in which notice or other communication refers to an event of default or a claim on the Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 235-5214 and shall be marked to indicate "URGENT MATERIAL ENCLOSED."

(2) Defeasance. The investments in the defeasance escrow relating to Insured Obligation shall be limited to non-callable, direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, or as otherwise maybe authorized under State law and approved by BAM. At least (three) 3 Business Days prior to any defeasance with respect to the Insured Obligations, the Issuer shall deliver to BAM draft copies of an escrow agreement, an opinion of bond counsel regarding the validity and enforceability of the escrow agreement and the defeasance of the Insured Obligations, a verification report (a "Verification Report") prepared by a nationally recognized independent financial analyst or firm of certified public accountants regarding the sufficiency of the escrow fund. Such opinion and Verification Report shall be addressed to BAM and shall be in form and substance satisfactory to BAM. In addition, the escrow agreement shall provide that:

(a) Any substitution of securities following the execution and delivery of the escrow agreement shall require the delivery of a Verification Report, an opinion of bond counsel that such substitution will not adversely affect the exclusion (if interest on the Insured Obligations is excludable) from gross income of the holders of the Insured Obligations of the interest on the Insured Obligations for federal income tax purposes and the prior written consent of BAM, which consent will not be unreasonably withheld.

(b) The Issuer will not exercise any prior optional redemption of Insured Obligations secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the

escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds, and (ii) as a condition to any such redemption there shall be provided to BAM a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

(c) The Issuer shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of BAM.

(3) Trustee and Paying Agent.

(a) BAM shall receive prior written notice of any name change of the trustee (the "Trustee") or, if applicable, the paying agent (the "Paying Agent") for the Insured Obligations or the resignation or removal of the Trustee or, if applicable, the Paying Agent. Any Trustee must be (A) a national banking association that is supervised by the Office of the Comptroller of the Currency and has at least \$250 million of assets, (B) a state-chartered commercial bank that is a member of the Federal Reserve System and has at least \$1 billion of assets, or (C) otherwise approved by BAM in writing.

(b) No removal, resignation or termination of the Trustee or, if applicable, the Paying Agent shall take effect until a successor, meeting the requirements above or acceptable to BAM, shall be qualified and appointed.

(4) Amendments, Supplements and Consents. BAM's prior written consent is required for all amendments and supplements to the Security Documents, with the exceptions noted below. The Issuer shall send copies of any such amendments or supplements to BAM and the rating agencies which have assigned a rating to the Insured Obligations.

(a) Consent of BAM. Any amendments or supplements to the Security Documents shall require the prior written consent of BAM with the exception of amendments or supplements:

i. To cure any ambiguity or formal defect or omissions or to correct any inconsistent provisions in the transaction documents or in any supplement thereto, or

ii. To grant or confer upon the holders of the Insured Obligations any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the holders of the Insured Obligations, or

iii. To add to the conditions, limitations and restrictions on the issuance of bonds or other obligations under the provisions of the Security Documents other conditions, limitations and restrictions thereafter to be observed, or

iv. To add to the covenants and agreements of the Issuer in the Security Documents other covenants and agreements thereafter to be observed by the Issuer or to surrender any right or power therein reserved to or conferred upon the Issuer.

v. To issue additional parity debt in accordance with the requirements set forth in the Security Documents (unless otherwise specified herein).

(b) Consent of BAM in Addition to Bondholder Consent. Any amendment, supplement, modification to, or waiver of, any of the Security Documents that requires the consent of holders of the Insured Obligations or adversely affects the rights or interests of BAM shall be subject to the prior written consent of BAM.

(c) Insolvency. Any reorganization or liquidation plan with respect to the Issuer must be acceptable to BAM. The Trustee and each owner of the Insured Obligations hereby appoint BAM as their agent and attorney-in-fact with respect to the Insured Obligations and agree that BAM may at any time during the continuation of any proceeding by or against the Issuer or Obligor under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding") direct all matters relating to such Insolvency Proceeding, including without limitation, (A) all matters relating to any claim or enforcement proceeding in connection with an Insolvency Proceeding (a "Claim"), (B) the direction of any appeal of any order relating to any Claim, (C) the posting of any surety, supersedeas or performance bond pending any such appeal, and (D) the right to vote to accept or reject any plan of adjustment. In addition, the Trustee and each owner of the Insured Obligations delegate and assign to BAM, to the fullest extent permitted by law, the rights of the Trustee and each owner of the Insured Obligations with respect to the Insured Obligations in the conduct of any Insolvency Proceeding, including, without limitation, all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(d) Control by BAM Upon Default. Anything in the Security Documents to the contrary notwithstanding, upon the occurrence and continuance of a default or an event of default, BAM shall be entitled to control and direct the enforcement of all rights and remedies granted to the holders of the Insured Obligations or the Trustee or Paying Agent for the benefit of the holders of the Insured Obligations under any Security Document. No default or event of default may be waived without BAM's written consent.

(e) BAM as Owner. Upon the occurrence and continuance of a default or an event of default, BAM shall be deemed to be the sole owner of the Insured Obligations for all purposes under the Security Documents, including, without limitations, for purposes of exercising remedies and approving amendments.

(f) Consent of BAM for Acceleration. BAM's prior written consent is required as a condition precedent to and in all instances of acceleration.

(g) Grace Period for Payment Defaults. No grace period shall be permitted for payment defaults on the Insured Obligations. No grace period for a covenant default shall exceed 30 days without the prior written consent of BAM.

(h) Special Provisions for Insurer Default. If an Insurer Default shall occur and be continuing, then, notwithstanding anything in paragraphs 4(a)-(e) above to the contrary, (1) if at any time prior to or following an Insurer Default, BAM has made payment under the Policy, to the extent of such payment BAM shall be treated like any other holder of the Insured Obligations for all purposes, including giving of consents, and (2) if BAM has not made any payment under the Policy, BAM shall have no further consent rights until the particular Insurer Default is no longer continuing or BAM makes a payment under the Policy, in which event, the foregoing clause (1) shall control. For purposes of this paragraph, "Insurer Default" means: (A) BAM has failed to make any payment under the Policy when due and owing in accordance with its terms; or (B) BAM shall (i) voluntarily commence any proceeding or file any petition seeking relief under the United States Bankruptcy Code or any other Federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for such party or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, or (vi) take action for the purpose of effecting any of the foregoing; or (C) any state or federal agency or instrumentality shall order the suspension of payments on the Policy or shall obtain an order or grant approval for the rehabilitation, liquidation, conservation or dissolution of BAM (including without limitation under the New York Insurance Law).

(5) Loan/Lease/Financing Agreement.

(a) The security for the Insured Obligations shall include a pledge and assignment of any agreement with any underlying obligor that is a source of payment for the Insured Obligations (a "Financing Agreement") and a default under any Financing Agreement shall constitute an Event of Default under the Security Documents. In accordance with the foregoing, any such Financing Agreement is hereby pledged and assigned to the Trustee for the benefit of the holders of the Insured Obligations.

(b) Any payments by the Obligor under the Financing Agreement that will be applied to the payment of debt service on the Insured Obligations shall be made directly to the Trustee at least fifteen (15) days prior to each debt service payment date for the Insured Obligations.

(6) BAM As Third-Party Beneficiary. BAM is recognized as and shall be deemed to be a third-party beneficiary of the Security Documents and may enforce the provisions of the Security Documents as if it were a party thereto.

(7) Payment Procedure Under the Policy. In the event that principal and/or interest due on the Insured Obligations shall be paid by BAM pursuant to the Policy, the Insured Obligations shall remain outstanding for all purposes, not be defeased or otherwise satisfied and

not be considered paid by the Issuer, the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Issuer to the registered owners shall continue to exist and shall run to the benefit of BAM, and BAM shall be subrogated to the rights of such registered owners. In the event that on the second (2nd) business day prior to any payment date on the Insured Obligations, the Paying Agent or Trustee has not received sufficient moneys to pay all principal of and interest on the Insured Obligations due on such payment date, the Paying Agent or Trustee shall immediately notify BAM or its designee on the same business day by telephone or electronic mail, of the amount of the deficiency. If any deficiency is made up in whole or in part prior to or on the payment date, the Paying Agent or Trustee shall so notify BAM or its designee. In addition, if the Paying Agent or Trustee has notice that any holder of the Insured Obligations has been required to disgorge payments of principal of or interest on the Insured Obligations pursuant to a final, non-appealable order by a court of competent jurisdiction that such payment constitutes an avoidable preference to such holder within the meaning of any applicable bankruptcy law, then the Paying Agent or Trustee shall notify BAM or its designee of such fact by telephone or electronic mail, or by overnight or other delivery service as to which a delivery receipt is signed by a person authorized to accept delivery on behalf of BAM.

The Paying Agent or Trustee shall irrevocably be designated, appointed, directed and authorized to act as attorney-in-fact for holders of the Insured Obligations as follows:

(a) If there is a deficiency in amounts required to pay interest and/or principal on the Insured Obligations, the Paying Agent or Trustee shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holders of the Insured Obligations in any legal proceeding related to the payment and assignment to BAM of the claims for interest on the Insured Obligations, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment from BAM with respect to the claims for interest so assigned, (iii) segregate all such payments in a separate account (the "BAM Policy Payment Account") to only be used to make scheduled payments of principal of and interest on the Insured Obligation, and (iv) disburse the same to such respective holders; and

(b) If there is a deficiency in amounts required to pay principal of the Insured Obligations, the Paying Agent or Trustee shall (i) execute and deliver to BAM, in form satisfactory to BAM, an instrument appointing BAM as agent and attorney-in-fact for such holder of the Insured Obligations in any legal proceeding related to the payment of such principal and an assignment to BAM of the Insured Obligations surrendered to BAM, (ii) receive as designee of the respective holders (and not as Paying Agent) in accordance with the tenor of the Policy payment therefore from BAM, (iii) segregate all such payments in the BAM Policy Payment Account to only be used to make scheduled payments of principal of and interest on the Insured Obligation, and (iv) disburse the same to such holders. The Trustee shall designate any portion of payment of principal on Insured Obligations paid by BAM, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of Insured Obligations registered to the then current holder, whether DTC or its nominee or otherwise, and shall issue a replacement Insured Obligation to BAM, registered in the name directed by BAM, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's

failure to so designate any payment or issue any replacement Insured Obligation shall have no effect on the amount of principal or interest payable by the Issuer on any Insured Obligation or the subrogation or assignment rights of BAM.

Payments with respect to claims for interest on and principal of Insured Obligations disbursed by the Paying Agent or Trustee from proceeds of the Policy shall not be considered to discharge the obligation of the Issuer with respect to such Insured Obligations, and BAM shall become the owner of such unpaid Insured Obligations and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of the preceding paragraphs or otherwise. The Security Documents shall not be discharged or terminated unless all amounts due or to become due to BAM have been paid in full or duly provided for.

Irrespective of whether any such assignment is executed and delivered, the Issuer, and the Paying Agent and Trustee agree for the benefit of BAM that:

(a) They recognize that to the extent BAM makes payments directly or indirectly (*e.g.*, by paying through the Paying Agent or Trustee), on account of principal of or interest on the Insured Obligations, BAM will be subrogated to the rights of such holders to receive the amount of such principal and interest from the Issuer, with interest thereon, as provided and solely from the sources stated in the Security Documents and the Insured Obligations; and

(b) They will accordingly pay to BAM the amount of such principal and interest, with interest thereon as provided in the transaction documents and the Insured Obligations, but only from the sources and in the manner provided therein for the payment of principal of and interest on the Insured Obligations to holders, and will otherwise treat BAM as the owner of such rights to the amount of such principal and interest.

(8) Additional Payments. The Issuer agrees unconditionally that it will pay or reimburse BAM on demand any and all reasonable charges, fees, costs, losses, liabilities and expenses that BAM may pay or incur, including, but not limited to, fees and expenses of BAM's agents, attorneys, accountants, consultants, appraisers and auditors and reasonable costs of investigations, in connection with the administration (including waivers and consents, if any), enforcement, defense, exercise or preservation of any rights and remedies in respect of the Security Documents ("Administrative Costs"). For purposes of the foregoing, costs and expenses shall include a reasonable allocation of compensation and overhead attributable to the time of employees of BAM spent in connection with the actions described in the preceding sentence. The Issuer agrees that failure to pay any Administrative Costs on a timely basis will result in the accrual of interest on the unpaid amount at the Late Payment Rate, compounded semi-annually, from the date that payment is first due to BAM until the date BAM is paid in full.

Notwithstanding anything herein to the contrary, the Issuer agrees to pay to BAM (i) a sum equal to the total of all amounts paid by BAM under the Policy ("BAM Policy Payment"); and (ii) interest on such BAM Policy Payments from the date paid by BAM until payment thereof in full by the Issuer, payable to BAM at the Late Payment Rate per annum (collectively, "BAM Reimbursement Amounts") compounded semi-annually. Notwithstanding anything to the contrary, including without limitation the post default application of revenue provisions, BAM

Reimbursement Amounts shall be, and the Issuer hereby covenants and agrees that the BAM Reimbursement Amounts are, payable from and secured by a lien on and pledge of the same revenues and other collateral pledged to the Insured Obligations on a parity with debt service due on the Insured Obligations.

(9) Debt Service Reserve Fund. The prior written consent of BAM shall be a condition precedent to the deposit of any credit instrument provided in lieu of a cash deposit into the Debt Service Reserve Fund, if any.

(10) Exercise of Rights by BAM. The rights granted to BAM under the Security Documents to request, consent to or direct any action are rights granted to BAM in consideration of its issuance of the Policy. Any exercise by BAM of such rights is merely an exercise of the BAM's contractual rights and shall not be construed or deemed to be taken for the benefit, or on behalf, of the holders of the Insured Obligations and such action does not evidence any position of BAM, affirmative or negative, as to whether the consent of the holders of the Insured Obligations or any other person is required in addition to the consent of BAM.

(11) BAM shall be entitled to pay principal or interest on the Insured Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer (as such terms are defined in the Policy) and any amounts due on the Insured Obligations as a result of acceleration of the maturity thereof in accordance with the Security Documents, whether or not BAM has received a claim upon the Policy.

(12) So long as the Insured Obligations are outstanding or any amounts are due and payable to BAM, the Issuer shall not sell, lease, transfer, encumber or otherwise dispose of the Airport or any material portion thereof, except upon obtaining the prior written consent of BAM. Anything in the foregoing portion of this paragraph (12) to the contrary notwithstanding, whether express or implied, nothing herein shall require the consent of BAM for any sale, lease, transfer, encumbrance or disposition:

- (i) by the Authority in the normal course of its operations; or
- (ii) by the Authority of undeveloped real property or of real property not used in the normal operations of the Airport;
or
- (iii) permitted pursuant to Section 11.6 of this Indenture.

(13) No contract shall be entered into or any action taken by which the rights of BAM or security for or source of payment of the Insured Obligations may be impaired or prejudiced in any material respect except upon obtaining the prior written consent of BAM.

(14) If an event of default occurs under any agreement pursuant to which any Obligation of the Issuer has been incurred or issued and that permits the holder of such Obligation or trustee to accelerate the Obligation or otherwise exercise rights or remedies that are adverse to the interest of the holders of the Insured Obligations or BAM, as BAM may determine

in its sole discretion, then an event of default shall be deemed to have occurred under this Indenture and the related Security Documents for which BAM or the Trustee, at the direction of BAM, shall be entitled to exercise all available remedies under the Security Documents, at law and in equity. For purposes of the foregoing "Obligation" shall mean any bonds, loans, certificates, installment or lease payments or similar obligations that are payable and/or secured on a parity or subordinate basis to the Insured Obligations.

(15) Definitions. For purposes of this Section 17.1 the following defined terms shall apply:

"BAM" shall mean Build America Mutual Assurance Company, or any successor thereto.

"Insured Obligations" shall mean the Series 2020.

"Issuer" shall mean the Authority.

"Late Payment Rate" means the lesser of (a) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank, N.A., at its principal office in The City of New York, New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such change is announced by JPMorgan Chase Bank, N.A.) plus 3%, and (ii) the then applicable highest rate of interest on the Insured Obligations and (b) the maximum rate permissible under applicable usury or similar laws limiting interest rates. In the event JPMorgan Chase Bank, N.A., ceases to announce its Prime Rate, the Prime Rate shall be the prime or base lending rate of such other bank, banking association or trust company as BAM, in its sole and absolute discretion, shall designate. Interest at the Late Payment Rate on any amount owing to BAM shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

"Policy" shall mean the Municipal Bond Insurance Policy issued by BAM that guarantees the scheduled payment of principal of and interest on the Insured Obligations when due.

"Security Documents" shall mean the resolution, trust agreement, indenture, ordinance, loan agreement, lease agreement, bond, note, certificate and/or any additional or supplemental document executed in connection with the Insured Obligations.

Section 17.2 Reserve Fund Policy. The following provisions shall apply under this Indenture for so long as the Reserve Policy, defined below in this Section 17.2, is in effect for any of the Series 2020 Bonds and the Bond Insurer is not in default of its obligations under the said Reserve Policy, anything in this Indenture to the contrary notwithstanding.

(a) The Authority (herein called the "Issuer") shall repay any draws under the Municipal Bond Insurance Policy to be delivered by BAM (for purposes of this Section 17.2, the "Bond Insurer") for deposit into the Reserve Fund upon issuance of the Series 2020 Bonds (for purposes of this Section 17.2, the "Reserve Policy") and pay all related reasonable expenses incurred by the Bond Insurer. Interest shall accrue and be payable on such draws and expenses from the date of payment by the Bond Insurer at the Late Payment Rate. "Late Payment Rate"

means the lesser of (A) the greater of (i) the per annum rate of interest, publicly announced from time to time by JPMorgan Chase Bank at its principal office in the City of New York, as its prime or base lending rate ("Prime Rate") (any change in such Prime Rate to be effective on the date such changes are announced by JPMorgan Chase Bank) plus 5%, and (ii) the then applicable highest rate of interest on the Bonds, and (B) the maximum rate permissible under applicable usury or similar laws limiting interest rates. The Late Payment Rate shall be computed on the basis of the actual number of days elapsed over a year of 360 days. In the event JPMorgan Chase Bank ceases to announce its Prime Rate publicly, Prime Rate shall be the publicly announced prime or base lending rate of such bank, banking association or trust company bank as the Bond Insurer in its sole and absolute discretion shall specify.

Repayment of draws and payment of expenses and accrued interest thereon at the Late Payment Rate (collectively, the "Policy Costs") shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to 1/12 of the aggregate of Policy Costs related to such draw.

Amounts in respect of Policy Costs paid to the Bond Insurer shall be credited first to interest due, then to the expenses due and then to principal due. As and to the extent that payments are made to the Bond Insurer on account of principal due, the coverage under the Reserve Policy will be increased by a like amount, subject to the terms of the Reserve Policy.

All cash and investments in the Reserve Fund established for the Bonds and Additional Bonds shall be transferred to the Debt Service Fund for payment of the debt service on the Bonds secured by the Reserve Fund before any drawing may be made on the Reserve Policy or any other Reserve Fund Credit Facility in lieu of cash.

Payment of any Policy Cost shall be made prior to replenishment of any cash amounts. Draws on all Reserve Fund Credit Facility (including the Reserve Policy) on which there is available coverage shall be made on a pro-rata basis (calculated by reference to the coverage then available thereunder) after applying all available cash and investments in the Reserve Fund. Payment of Policy Costs and reimbursement of amounts with respect to other Reserve Fund Credit Facilities shall be made on a pro-rata basis prior to replenishment of any cash drawn from the Reserve Fund. For the avoidance of doubt, "available coverage" means the coverage then available for disbursement pursuant to the terms of the applicable alternative credit instrument without regard to the legal or financial ability or willingness of the provider of such instrument to honor a claim or draw thereon or the failure of such provider to honor any such claim or draw.

(b) Draws under the Reserve Policy may only be used to make payments on Bonds insured by the Bond Insurer or to make payments on Bonds issued as Additional Bonds issued pursuant to Article VIII hereof.

(c) If the Issuer shall fail to pay any Policy Costs in accordance with the requirements of paragraph (a) above, the Bond Insurer shall be entitled to exercise any and all legal and equitable remedies available to it, including those provided under this Indenture, other than (i) acceleration of the maturity of any of the Bonds, or (ii) remedies which would adversely affect owners of Bonds.

(d) This Indenture shall not be discharged until all Policy Costs owing to the Bond Insurer shall have been paid in full. The Issuer's obligation to pay such amount shall expressly survive payment in full of the Bonds.

(e) The Trustee shall ascertain the necessity for a claim upon the Reserve Policy in accordance with the provisions of paragraph (a) hereof and provide notice to the Bond Insurer at least three business days prior to each date upon which interest or principal is due on the Bonds.

(f) The Reserve Policy shall expire on the earlier of the date the Series 2020 Bonds are no longer outstanding and the final maturity date of the Series 2020 Bonds.

(g) Policy Costs due and owing shall be included in debt service requirements for purposes of calculation of the Maximum Annual Debt Service Requirement pursuant to Section 11.13 of this Indenture when issuing Additional Bonds, and shall be considered part of Operating Expenses for purposes of the calculations to be performed pursuant to Section 11.14 of this Indenture.

ARTICLE XVIII

MISCELLANEOUS PROVISIONS

Section 18.1 Disclaimer of General Liability. It is hereby expressly made a condition of this Indenture that any agreements, covenants or representations herein contained or contained in the Bonds do not and shall never constitute or give rise to any personal or pecuniary liability or charge against the general credit of the Authority, and in the event of a breach of any such agreement, covenant or representation, no personal or pecuniary liability or charge payable directly or indirectly from the general revenues of the Authority shall arise therefrom. Neither the full faith and credit nor any taxing power of the Authority is pledged for payment of the Bonds. Nothing contained in this section, however, shall relieve the Authority from the observance and performance of the several covenants and agreements on its part herein contained.

Section 18.2 Retention of Moneys for Payment of Bonds. Should any of the Bonds not be presented for payment when due, whether by maturity or otherwise, the Trustee shall, subject to the provisions of any applicable escheat or other similar law, retain from any moneys transferred to it for the purpose of paying said Bonds so due, for the benefit of the Holders thereof, a sum of money sufficient to pay such Bonds when the same are presented by the Holders thereof for payment (upon which sum the Trustee shall not be required to pay interest). All liability of the Authority to the Holders of such Bonds and all rights of such Holders against the Authority under the Bonds or under the Indenture shall thereupon cease and terminate, and the sole right of such Holders shall thereafter be against such deposit. If any Bond shall not be presented for payment within a period of three (3) years following the date when such Bond becomes due, whether by maturity or otherwise, the Trustee shall, subject to the provisions of any applicable escheat or other similar law, return to the Authority any moneys theretofore held by it for payment of such Bond, and such Bond shall (subject to the defense of any applicable statute of limitation) thereafter be an unsecured obligation of the Authority.

Section 18.3 Payment of Certain Surplus Moneys to Authority. If, upon full payment of all proper charges of the Trustee hereunder and full payment and retirement of all the Bonds, any moneys then remain in any of the special trust funds created in the Indenture, the Trustee shall thereupon pay such moneys to the Authority.

Section 18.4 Form of Requests, Etc., by Bondholders. Any request, direction or other instrument required to be signed or executed by Holders of the Bonds may be in any number of concurrent instruments of similar tenor, signed, or executed in person or by agent appointed in writing. Such signature or execution may be proved by the certificate of a notary public or other officer at the time authorized to take acknowledgments to deeds to be recorded in Alabama, stating that the signer was known to him and acknowledged to him the execution thereof.

Section 18.5 Limitation of Rights. Nothing herein or in the Bonds shall confer any right on anyone other than the Authority, the Trustee and the Holders of the Bonds.

Section 18.6 Manner of Proving Ownership of Bonds. The ownership at any given time of a Bond may be proved by a certificate of the Trustee stating that on the date stated the Bond described was registered on its books in the name of the stated party.

Section 18.7 Indenture Governed By Alabama Law. It is the intention of the parties hereto that the Indenture shall in all respects be governed by the laws of the State of Alabama without regard to conflict of law principles.

Section 18.8 Notices. All notices, demands and requests to be given or made hereunder shall be deemed sufficient and properly given or made if in writing and sent by United States registered or certified mail, postage prepaid, addressed, (a) if to the Authority, at 5900 Airport Highway, Birmingham, Alabama 35212, Attn: Chief Executive Officer; (b) if to the Trustee, at 505 North 20th Street, Suite 950, Attn: Corporate Trust, Birmingham, Alabama 35203, and (c) if to the Holder of a Bond, at the address of such Holder as shown on the registry books of the Trustee pertaining to the Bonds. The Authority and the Trustee may, by like notice, designate any further or different addresses to which subsequent notices shall be sent. Any notice hereunder signed on behalf of the notifying party by a duly authorized attorney at law shall be valid and effective to the same extent as if signed by such party himself or on its behalf by a duly authorized officer or employee.

Section 18.9 Designated Grant Funds. Designated Grant Funds shall become Revenues for purposes of this Indenture as of the date the applicable Designated Grant Funds Certificate is delivered to the Trustee; provided, any such funds may not be included in Revenues for any Fiscal Year to the extent such funds were disbursed by the Authority prior to the beginning of such Fiscal Year.

Section 18.10 Severability. In the event that any provision hereof shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

IN WITNESS WHEREOF, the Authority has caused this Indenture to be executed in its corporate name and behalf by the Chairman of its Board of Directors, has caused its corporate seal to be hereunto affixed and has caused this Indenture to be attested by its Secretary, and the Trustee, to evidence its acceptance of the trusts hereby created, has caused this Indenture to be executed in its name and behalf, has caused its seal to be hereunto affixed and has caused this Indenture to be attested, by its duly authorized officers, all in multiple counterparts, each of which shall be deemed an original, and the Authority and the Trustee have caused this Indenture to be dated July 9, 2020.

BIRMINGHAM AIRPORT AUTHORITY

By _____
Chairman
Board of Directors
Birmingham Airport Authority

[SEAL]

Attest:

Secretary

REGIONS BANK

[SEAL]

By _____
Its _____

Attest:

Its _____

STATE OF ALABAMA)
 :
COUNTY OF JEFFERSON)

I, the undersigned, a Notary Public in and for said county in said state, hereby certify that DAVID GERMANY, whose name as Chairman of the Board of Directors of the BIRMINGHAM AIRPORT AUTHORITY, a public corporation under the laws of Alabama, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said public corporation.

GIVEN under my hand and official seal of office, this ____ day of _____, 2020.

Notary Public

My Commission Expires: _____

[NOTARIAL SEAL]

STATE OF ALABAMA)
 :
COUNTY OF JEFFERSON)

I, the undersigned, a Notary Public in and for said county in said state, hereby certify that **CARMEN KILGORE**, whose name as Vice President of **REGIONS BANK**, an Alabama banking corporation, is signed to the foregoing instrument and who is known to me, acknowledged before me on this day that, being informed of the contents of the within instrument, he, as such officer and with full authority, executed the same voluntarily for and as the act of said corporation.

GIVEN under my hand and official seal of office, this _____ day of _____, 2020.

Notary Public

My Commission Expires: _____

[NOTARIAL SEAL]

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APPENDIX D

FORM OF APPROVAL OPINION OF CO-BOND COUNSEL

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APPENDIX D

FORM OF APPROVAL OPINION OF CO-BOND COUNSEL

\$102,130,000
Birmingham Airport Authority
Airport Revenue Bonds
Series 2020
(Non-AMT)

We have acted as Co-Bond Counsel to the Birmingham Airport Authority (the "Authority") in connection with the above-referenced bonds (the "Series 2020 Bonds"). The Series 2020 Bonds are authorized and issued pursuant to a resolution adopted by the Board of Directors of the Authority on June 23, 2020 (the "Authorizing Resolution"). The Series 2020 Bonds are issued under and secured by the Trust Indenture dated the date of the Series 2020 Bonds between the Authority and Regions Bank, an Alabama banking corporation (the "Indenture"). All capitalized terms used and not defined herein shall have the same meanings set forth in the Indenture.

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 2020 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 2020 Bonds, and certificates of the Authority (including specifically a Tax Compliance Agreement and Certificate delivered on the date hereof) and others delivered in connection with the issuance of the Series 2020 Bonds. We have also reviewed and relied upon the opinions of Maynard Cooper & Gayle, P.C. and Kelvin W. Howard, LLC, 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 2020 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 2020 Bonds.
2. The Series 2020 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 2020 Bonds, on a parity with the pledge thereof for the benefit of any Additional Bonds hereafter issued by the Authority under the Indenture.
5. Under existing statutes, regulations, rulings and court decisions, the interest on the Series 2020 Bonds is excluded from gross income for federal income tax purposes, except for any period during which such Series 2020 Bonds are held by a person who is a "substantial user" of the facilities financed by the Series 2020 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 earnings 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 2020 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 2020 Bonds to be includable in gross income for federal tax purposes retroactive to the date of issuance of the Series 2020 Bonds. We express no opinion herein regarding other federal tax consequences arising with respect to the Series 2020 Bonds.

6. The interest on the Series 2020 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 2020 Bonds.

It is to be understood that the rights of the owners of the Series 2020 Bonds and the enforceability of the Series 2020 Bonds and the Indenture may be subject to and limited by bankruptcy, insolvency, reorganization, moratorium, sovereign immunity, 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.

We express no opinion regarding the accuracy, adequacy or completeness of the Official Statement of the Authority relating to the Series 2020 Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Series 2020 Bonds other than as expressly set forth herein.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

Yours very truly,

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.

Initially, DTC will act as securities depository for the Series 2020 Bonds. The Series 2020 Bonds initially will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. Initially, one fully-registered bond certificate for each maturity will be issued for the Series 2020 Bonds, in the aggregate principal amount of the Series 2020 Bonds 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 a Standard & Poor's rating of AA+. 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. So long as the Series 2020 Bonds are maintained in book-entry form with DTC, the following procedures will be applicable with respect to the Series 2020 Bonds.

Purchases of the Series 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2020 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2020 Bonds, except in the event that use of the book-entry system for the Series 2020 Bonds is discontinued.

To facilitate subsequent transfers, all the Series 2020 Bonds deposited by 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 the Series 2020 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 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2020 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.

As long as the book-entry system is used for the Series 2020 Bonds, redemption notices will be sent to DTC. If less than all of the Series 2020 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

As long as the book-entry system is used for the Series 2020 Bonds, principal, premium, if any, and interest payments on the Series 2020 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 Depository, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Depository or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Depository, and disbursement of such payments to the Participants or the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2020 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 Depository 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 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

DTC may discontinue providing its services as securities depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Authority or the Depository. In addition, the Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Under either of such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The Authority and the Depository will have no responsibility or obligation to any securities depository, any Participants in the book-entry system, or the Beneficial Owners with respect to (i) the accuracy of any records maintained by the securities depository or any Participant; (ii) the payment by the securities depository or by any Participant of any amount due to any Participant or Beneficial Owner, respectively, in respect of the principal amount or redemption or purchase price of, or interest on, any of the Series 2020 Bonds; (iii) the delivery of any notice by the securities depository or any Participant; (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Series 2020 Bonds; or (v) any other action taken by the securities depository or any Participant.

Discontinuance of DTC Services. DTC may discontinue providing its services as depository with respect to the Series 2020 Bonds at any time by giving reasonable notice to the Authority and the Trustee. Under such circumstances, in the event that a successor depository is not obtained, bond certificates are required to be authenticated and delivered.

The Authority may, as provided in the Indenture, decide to discontinue use of the Book-Entry System through DTC (or a successor securities depository). In that event, Series 2020 Bond certificates will be printed and delivered to DTC.

Disclaimer. Neither the Board nor the Trustee has any responsibility or obligation to any Direct Participants or Indirect Participants or the Persons for whom they act with respect to (1) the accuracy of any records

maintained by DTC or any Direct or Indirect Participant; (2) the payment by any relevant Participant of any amount due to any relevant Beneficial Owner in respect of the principal of or interest or premium, if any, on the Series 2020 Bonds; (3) the delivery by any relevant Direct Participant or relevant Indirect Participant of any notice to any relevant Beneficial Owner that is required or permitted under the terms of the Indenture to be given to the holders of the Series 2020 Bonds; (4) the selection of the relevant Beneficial Owners to receive payment in the event of any partial redemption of the Series 2020 Bonds; or (5) any consent given or other action taken by DTC as holder of the Series 2020 Bonds.

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APPENDIX F
FORM OF CONTINUING DISCLOSURE AGREEMENT

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CONTINUING DISCLOSURE AGREEMENT

Continuing Disclosure Agreement (this "Agreement") by the **BIRMINGHAM AIRPORT AUTHORITY**, an Alabama public corporation (the "Authority"), for the benefit of the holders of the Bonds hereinafter referred to.

RECITALS

Contemporaneously with the execution and delivery of this Agreement by the Authority (such delivery being made to the Trustee hereinafter referred to), the Authority will issue its Airport Revenue Bonds, Series 2020, dated the date of their initial issuance (the "Bonds"), in the aggregate principal amount of \$102,130,000 under a Trust Indenture dated July 9, 2020 (the "Indenture"), between the Authority and Regions Bank, as trustee (the "Trustee"). The Bonds are subject to the provisions of Rule 15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "Commission") pursuant to the Securities Exchange Act of 1934. The Bonds will be purchased from the Authority by Piper Sandler & Co., Morgan Stanley & Co LLC, and Siebert Williams Shank & Co, LLC (collectively, the "Underwriters"). The Authority has delivered to the Underwriters the Authority's Official Statement with respect to the Bonds dated June 24, 2020 (the "Official Statement"). There is no "obligated person" (as defined in the Rule) with respect to the Bonds other than the Authority.

The Authority has entered into this Agreement in order to assist the Underwriters in complying with the Rule.

Except where otherwise defined in this Agreement, all capitalized terms used herein shall have the same meaning herein as in the Official Statement.

NOW, THEREFORE, the Authority does hereby undertake and agree for the benefit of the holders of the Bonds as follows:

Section 1. **Annual Report of the Authority.** The Authority hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to the Municipal Securities Rulemaking Board (the "MSRB"), by no later than 270 days after the end of each fiscal year of the Authority, beginning with the fiscal year ending June 30, 2020, financial information and operating data for each such fiscal year of the kind set forth in the Official Statement in the charts or tables located under the following headings:

- (i) "Enplaned Passengers at the Airport", "Airlines Serving Birmingham", "Passenger Airline Market Shares" and "Landed Weights by Airline" under "AIR TRAFFIC";
- (ii) "Historical Revenues and Expenses of the Authority" under "REVENUES AND EXPENSES OF THE AUTHORITY AND OTHER FINANCIAL CONSIDERATIONS"; and
- (iii) "RATE COVENANT TESTS"

(such annual financial information and operating data being referred to herein as the "Authority's Annual Report"). The Authority also agrees to provide its audited financial statements for the related fiscal year to the MSRB; if not submitted as part of the Authority's Annual Report, then such audited financial statements will be provided to the MSRB when and if available. The audited financial statements of the Authority so provided will be prepared in accordance with generally accepted accounting principles applicable to the Authority, as in effect from time to time. For any fiscal year, the Authority may satisfy its obligation to provide the Authority's Annual Report to the MSRB through the inclusion of the information required for such report within its audited financial statements for such fiscal year provided to the MSRB.

The Authority reserves the right to modify from time to time the specific types of information provided or the format of the presentation of the Authority's Annual Report, to the extent necessary or appropriate in the judgment of the Authority, provided that the Authority agrees that any such modification will be done in a manner consistent with the Rule.

Section 2. **Notice of Material Events.** The Authority agrees to provide or cause to be provided to the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of the occurrence of any of the following events with respect to the Bonds:

- (a) Principal and interest payment delinquencies;
- (b) Non-payment related defaults, if material;
- (c) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (d) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (e) Substitution of credit or liquidity providers, or their failure to perform;
- (f) Adverse tax opinions, 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 Bonds, or other material events affecting the tax-exempt status of the Bonds;
- (g) Modifications to rights of holders of the Bonds, if material;
- (h) Bond calls, if material, and tender offers;
- (i) Defeasances;
- (j) Release, substitution, or sale of property securing repayment of the Bonds, if material;

- (k) Rating changes;
- (l) Bankruptcy, insolvency, receivership or similar events with respect to the Authority;
- (m) The consummation of a merger, consolidation or acquisition involving the Authority or the sale of all or substantially all of the assets of the Authority, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (n) Appointment of a successor or additional trustee or the change of name of a trustee, if material; and
- (o) incurrence of a financial obligation (as defined in the Rule) of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect owner of the Bonds, if material; and
- (p) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation (as defined in the Rule) of the Authority, any of which reflect financial difficulties.

The Authority may from time to time choose to provide notice of the occurrence of certain other events, in addition to those listed above, if, in the judgment of the Authority, such other event is material with respect to the Bonds, but the Authority does not undertake to commit to provide any such notice of the occurrence of any material event except those events listed above.

Section 3. Notice of Non-Compliance. The Authority agrees to provide or cause to be provided, in a timely manner, to the MSRB notice of any failure by the Authority to provide the annual financial information described in Section 1 hereof on or prior to the applicable date set forth in said section.

Section 4. Form and Method of Filing. All filings to be provided hereunder to the MSRB shall be made by posting such information in electronic format on the MSRB's Electronic Municipal Market Access ("EMMA") system at <http://emma.msrb.org> accompanied by identifying information as prescribed by the MSRB. All such filings shall be made in conformity with the procedures and requirements established by the MSRB in effect at the time of such filing.

Section 5. Beneficiaries and Enforcement. The Authority agrees that its undertakings pursuant to the Rule set forth in this Agreement are intended to be for the benefit of the holders of the Bonds and (to the extent hereinafter set forth) the Trustee and shall be enforceable by such holders and (to such extent) the Trustee; provided, that the right of the holders of the Bonds or the Trustee to enforce the provisions of this Agreement shall be limited to a right to obtain specific enforcement of the obligations of the Authority hereunder. No

failure by the Authority to comply with its obligations under this Agreement shall constitute a default or an event of default under the Indenture.

Section 6. **Amendment.** This Agreement may be amended without the consent of the Trustee or any holders of the Bonds if:

(a) such amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Authority; and

(b) this Agreement, as so amended, would have complied with the requirements of the Rule at the time of the execution hereof, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the Authority receives an opinion of recognized bond counsel that such amendment does not materially impair the interests of any of the holders of the Bonds.

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by the Authority as of the 9th day of July, 2020.

BIRMINGHAM AIRPORT AUTHORITY

By _____
Chairman of the Board of Directors

ATTEST:

Its Secretary

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _____

Risk Premium: \$ _____
Member Surplus Contribution: \$ _____
Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer 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, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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